2.4. Financial report

table of contents

a These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

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2.4.1. Consolidated financial statements

The consolidated financial statements have been authorised for issue by the Board of Directors on 27 April 2020. They have been prepared in accordance with IFRS accounting policies, details of which are given below.

The Group has initially applied IFRS 16 *Leases* at 01 January 2019. According to the transition dispositions, the Group has selected to apply IFRS 16 using the modified retrospective approach, i.e. not restating the comparative information.

2.4.1.1. Consolidated income statement

in thousand EUR

Group Recticel	NOTES*	2019	2018
Sales	**2.4.2.3.**	**1 038 517**	**1 117 652**
Distribution costs		(60 840)	(59 973)
Cost of sales		(786 620)	(856 056)
Gross profit	**2.4.2.4.1.**	**191 057**	**201 623**
General and administrative expenses	2.4.2.4.2.	(73 561)	(70 562)
Sales and marketing expenses	2.4.2.4.2.	(72 743)	(72 593)
Research and development expenses	2.4.2.4.2.	(11 599)	(11 042)
Impairment of goodwill, intangible and tangible assets	2.4.2.3.	(1 821)	(5 819)
Other operating revenues	2.4.2.4.3.	20 274	17 900
Other operating expenses	2.4.2.4.3.	(23 730)	(26 730)
Income from joint ventures and associates	2.4.2.5.5.	9 271	10 170
EBIT	**2.4.2.4.4.**	**37 148**	**42 947**
Interest income and expenses		(6 963)	(3 253)
Other financial result		(1 264)	(632)
Financial result	**2.4.2.4.5.**	**(8 227)**	**(3 886)**
Result of the period before taxes		**28 921**	**39 061**
Income taxes	2.4.2.4.6.	(4 203)	(10 212)
Result of the period after taxes		**24 718**	**28 849**
of which non-controlling interests		(44)	0
of which share of the Group		24 762	28 849

* The accompanying notes are an integral part of this income statement.

With respect to the application of IFRS 16 and its impact on the consolidated income statement reference is made to note 2.4.2.1.2.

2.4.1.2. Earnings per share

in EUR

Group Recticel	NOTES *	2019	2018
Basic earnings per share	2.4.2.4.8.	0.45	0.53
Diluted earnings per share	2.4.2.4.9.	0.45	0.52

The basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period.

The diluted earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period, increased for the subscription rights in-the-money.

2.4.1.3. Consolidated statement of comprehensive income

in thousand EUR

Group Recticel	NOTES *	2019	2018
Result for the period after taxes		**24 718**	**28 849**
Other comprehensive income			
Items that will not subsequently be recycled to profit and loss			
Remeasurement gains/losses on defined benefit plans		(6 432)	4 529
Deferred taxes on items that will not subsequently be recycled to profit and loss		746	(502)
Currency translation differences		(193)	(19)
Share in other comprehensive income in joint ventures and associates	2.4.2.5.5.	(925)	449
Total		**(6 804)**	**4 457**
Items that subsequently may be recycled to profit and loss			
Hedging reserves		0	665
Currency translation differences		3 296	(1 822)
Foreign currency translation reserve difference to recycle in the income statement		368	0
Deferred taxes on items that subsequently may be recyled to profit and loss		0	(117)
Share in other comprehensive income in joint ventures and associates	2.4.2.5.5.	47	(806)
Total		**3 711**	**(2 080)**
Other comprehensive income net of tax		**(3 093)**	**2 377**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**21 624**	**31 226**
of which attributable to non-controlling interests		(44)	0
of which attributable to the owners of the parent		21 668	31 226

* The accompanying notes are an integral part of this statement of comprehensive income.

2.4.1.4. Consolidated statement of financial position

in thousand EUR

Group Recticel	NOTES *	31 DEC 2019	31 DEC 2018
Goodwill	2.4.2.3.1.	24 412	23 354
Intangible assets	2.4.2.5.1.	14 306	12 045
Property, plant & equipment	2.4.2.5.2.	227 617	232 541
Right-of-use assets	2.4.2.5.3.	105 110	0
Investment property		3 331	3 289
Investments in joint ventures and associates	2.4.2.5.4-5.	65 465	68 631
Other financial assets	2.4.2.5.6.	26 382	16 446
Non-current contract assets	2.4.2.5.8.	11 138	15 326
Deferred taxes	2.4.2.4.6.	24 108	20 468
Non-current assets		**501 869**	**392 099**
Inventories	2.4.2.5.7.	101 797	103 789
Trade receivables	2.4.2.5.9.	99 117	107 680
Current contract assets	2.4.2.5.8.	11 300	13 782
Other receivables and other financial assets	2.4.2.5.9.	32 667	55 226
Income tax receivables		1 448	5 587
Other investments		154	138
Cash and cash equivalents	2.4.2.5.10.	48 479	39 554
Assets held for sale	2.4.2.5.11.	5 638	19 201
Current assets		**300 600**	**344 958**
TOTAL ASSETS		**802 469**	**737 057**

* The accompanying notes are an integral part of this statement of financial position.

in thousand EUR

Group Recticel	NOTES *	31 DEC 2019	31 DEC 2018
Share capital	2.4.2.5.12.	138 494	138 068
Share premium		130 334	129 941
Share capital		**268 828**	**268 009**
Treasury shares		(1 450)	(1 450)
Other reserves		(25 621)	(19 214)
Retained earnings		51 227	39 636
Hedging and translation reserves		(18 288)	(22 003)
Equity - share of the Group		**274 696**	**264 978**
Equity attributable to non-controlling interests		701	0
Total equity		**275 397**	**264 978**
Pensions and similar obligations	2.4.2.5.13.	57 164	48 055
Provisions	2.4.2.5.14.	6 905	14 318
Deferred taxes	2.4.2.4.6.	10 023	9 650
Financial liabilities	2.4.2.5.15.	100 334	34 706
Non-current contract liabilities	2.4.2.5.8.	20 339	24 096
Other amounts payable		43	202
Non-current liabilities [(1)]		**194 808**	**131 027**
Pensions and similar obligations	2.4.2.5.13.	696	4 720
Provisions	2.4.2.5.14.	5 759	2 573
Financial liabilities	2.4.2.5.15.	117 415	90 021
Trade payables	2.4.2.5.16.	93 008	90 756
Current contract liabilities	2.4.2.5.8.	32 832	44 964
Income tax payables		1 229	3 061
Other amounts payable	2.4.2.5.16.	81 325	104 957
Current liabilities [(2)]		**332 264**	**341 052**
Total liabilities [(1)+(2)]		**527 072**	**472 079**
TOTAL EQUITY AND LIABILITIES		**802 469**	**737 057**

The impact of the application of IFRS 16 on the financial position is explained in section 2.4.2.1.2.

* The accompanying notes are an integral part of this statement of financial position.

2.4.1.5. Consolidated cash flow statement

in thousand EUR

Group Recticel	NOTES *	2019	2018
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	2.4.2.4.4.	**37 148**	**42 947**
Amortisation of intangible assets	2.4.2.5.1.	2 667	2 629
Depreciation of tangible assets	2.4.2.5.2.	51 736	27 368
Amortisation of deferred long term and upfront payment	2.4.2.4.4.	1 846	1 637
Impairment goodwill	2.4.2.3.1.	0	1 000
Impairment losses on intangible assets	2.4.2.5.1.	358	0
Impairment losses on tangible assets	2.4.2.5.2.	1 463	4 819
Write-offs/(write-backs) on assets and shares of affiliates		667	508
Changes in provisions		(6 740)	(2)
Fair value measurement of options Proseat		(3 762)	0
(Gains) / Losses on disposals of assets and shares		(3 740)	(671)
Income from joint ventures and associates		(9 270)	(10 170)
Result transfer		(38)	0
GROSS OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS		**72 336**	**70 065**
Changes in working capital [1]		**(938)**	**(4 138)**
Trade and other long-term debt maturing within one year		(91)	(11)
Movements of tax credit		(639)	(2 548)
Income taxes paid		(3 899)	(5 996)
NET CASH FLOW FROM OPERATING ACTIVITIES (a)		**66 768**	**57 372**
Interests received		450	284
Dividends received		7 607	5 500
Investments and subscription capital increase [2]		(7 476)	(125)
Increase of loans and receivables		1 188	(123)
Decrease of loans and receivables		0	2 748
Investments in intangible assets	2.4.2.5.1.	(4 502)	(3 205)
Investments in property, plant and equipment	2.4.2.5.2.	(50 489)	(45 873)
Investment in associates	2.4.2.5.5.	0	(2 040)
Disposals of intangible assets	2.4.2.5.1.	1	110
Disposals of property, plant and equipment	2.4.2.5.2.	1 907	453
Disposal of investments [3]		20 614	0
NET CASH FLOW FROM INVESTMENT ACTIVITIES (b)		**(30 717)**	**(42 287)**
Interests paid on financial debt (c)		(2 453)	(4 700)
Dividends paid		(13 163)	(12 023)
Increase/(Decrease) of capital		819	3 086
Increase of financial debt		51 169	55 690
Reimbursement of lease liabilities (including interests) (d)		(24 612)	(2 006)
Decrease of financial debt		(13 151)	(75 722)
NET CASH FLOW FROM FINANCING ACTIVITIES (e)		**(1 391)**	**(35 676)**
Effect of exchange rate changes (f)		(697)	480
CHANGES IN CASH AND CASH EQUIVALENTS (a)+(b)+(e)+(f)+(g)		**33 963**	**(20 111)**
Net cash position opening balance [4]		13 774	33 885
Net cash position closing balance [4]		47 737	13 774
CHANGES IN CASH AND CASH EQUIVALENTS		**33 963**	**(20 111)**
NET FREE CASH FLOW (a)+(b)+(c)+(d)		**8 987**	**8 379**

1 Changes in working capital in 2019 are reported on a net basis versus on a gross basis in 2018; the difference being explained by doubtful receivables and inventory write-off(-back) previously reported in write-off(-back) on assets.

2 Investments and subscription capital increase :

Proseat nv	(6 584)
Acquisition Turvac	(880)
Capital increase Sembella Matrace s.r.o.	(12)
Investments and subscription capital increase	**(7 476)**

3 Disposals of financial investments Proseat affiliates 20 614

4 Opening balance of cash and cash equivalents of 2019 has been restated for the overdraft position in accordance with IAS 7. The opening balance for 2018 (EUR 33.9 million) has been amended to reflect this too (as published in Annual Report 2018: EUR 57.8 million).

The impact of the application of IFRS 16 is explained in section 2.4.2.1.2., and impacts primarily the depreciation level and interests paid on lease debt.

The partial divestment from the Proseat companies impacts the EBIT and is subsequently corrected in the gross operating cash flow (i.e. valorisation option structure, gain/(loss) on disposal of assets) and the net cash flow from investment activities. The amount in the item 'Investments in and subscriptions to capital increases' as well as 'Proceeds on sale of shares of equity method investees' refer mainly to the Proseat transaction (see 2.4.2.2. and 2.4.2.3.1.).

* The accompanying notes are an integral part of this cash flow statement.

Changes in interest-bearing borrowings

For the year ending 31 December 2019

in thousand EUR

Group Recticel	31 DEC 2018	CASH FLOWS IN 2019	NON-CASH CHANGES: CHANGE IN ACCOUNTING POLICY IFRS 16	NON-CASH CHANGES: REASSESS-MENT IFRS 16	NON-CASH CHANGES: COST OF DEBT: INTERESTS ACCRUED	NON-CASH CHANGES: COST OF DEBT: FAIR VALUE OF HEDGING INSTRUMENTS	NON-CASH CHANGES: COST OF DEBT: ACTUALISA-TION	NON-CASH CHANGES: TRANSFER	NON-CASH CHANGES: EXCHANGE DIFFERENCES	NON-CASH CHANGES: CHANGE IN SCOPE	31 DEC 2019
Long term borrowings	17 201	4 408	0	0	0	0	0	(1 778)	(58)	0	19 773
Short term borrowings	88 683	30 175	0	0	20	0	0	1 778	2	(19 734)	100 922
Lease liabilities	18 144	(21 177)	118 139	(24 576)	0	0	4 357	0	1 511	0	96 398
Accrued interest liabilities	700	(2 453)	0	0	2 302	(95)	0	0	(28)	232	657
Total liabilities from financing activities	**124 727**	**10 953**	**118 139**	**(24 576)**	**2 321**	**(95)**	**4 357**	**0**	**1 427**	**(19 502)**	**217 750**

see note 2.4.2.5.15. – Financial liabilities and note 2.4.2.5.3. – Right-of-use assets.

For the year ending 31 December 2018

in thousand EUR

Group Recticel	31 DEC 2017	CASH FLOWS IN 2019	NON-CASH CHANGES: CHANGE IN ACCOUNTING POLICY IFRS 16	NON-CASH CHANGES: REASSESS-MENT	NON-CASH CHANGES: COST OF DEBT: INTERESTS ACCRUED	NON-CASH CHANGES: COST OF DEBT: FAIR VALUE OF HEDGING INSTRUMENTS	NON-CASH CHANGES: COST OF DEBT: ACTUALISA-TION	NON-CASH CHANGES: TRANSFER	NON-CASH CHANGES: EXCHANGE DIFFERENCES	NON-CASH CHANGES: CHANGE IN SCOPE	31 DEC 2018
Long term borrowings	78 002	(61 642)	0	0	0	0	0	840	0	0	17 201
Short term borrowings	44 538	43 431	0	0	852	0	0	(852)	713	0	88 683
Lease liabilities	19 855	(1 843)	0	0	0	0	132	0	0	0	18 144
Accrued interest liabilities	2 673	(4 863)	0	0	3 086	(370)	0	12	162	0	700
Total liabilities from financing activities	**145 068**	**(24 916)**	**0**	**0**	**3 938**	**(370)**	**132**	**0**	**875**	**0**	**124 727**

2.4.1.6. Statement of changes in shareholders' equity

For the year ending 31 December 2019

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES AND HEDGING RESERVES	TOTAL SH AREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
Balance at 31 December 2018	**138 068**	**129 941**	**(1 450)**	**(19 214)**	**39 636**	**(22 003)**	**264 978**	**0**	**264 978**
Effect of initial application of IFRS 16	0	0	0	0	0	0	0	0	0
01 January 2019 Restated	**138 068**	**129 941**	**(1 450)**	**(19 214)**	**39 636**	**(22 003)**	**264 978**	**0**	**264 978**
Dividends	0	0	0	0	(13 254)	0	(13 254)	0	(13 254)
Stock options (IFRS 2)	0	0	0	485	0	0	485	0	485
Capital movements [1]	426	393	0	(100)	100	0	819	0	819
Change in scope	0	0	0	0	0	0	0	745	745
Shareholders' movements	**426**	**393**	**0**	**385**	**(13 154)**	**0**	**(11 950)**	**745**	**(11 205)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**24 762**	**0**	**24 762**	**(44)**	**24 718**
Other comprehensive income	**0**	**0**	**0**	**(6 725)**	**(84)**	**3 715**	**(3 094)**	**0**	**(3 094)**
Reclassification	0	0	0	(67)	67	0	0	0	0
Balance at 31 December 2019	**138 494**	**130 334**	**(1 450)**	**(25 621)**	**51 227**	**(18 288)**	**274 696**	**701**	**275 397**

[1] see note 2.4.2.5.12.

For the year ending 31 December 2018

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES AND HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
Balance at 31 December 2017	**136 941**	**127 982**	**(1 450)**	**(22 633)**	**40 868**	**(19 922)**	**261 786**	**0**	**261 786**
Effect of initial application of IFRS 15	0	0	0	0	(19 478)	0	(19 478)	0	(19 478)
Effect of initial application of IFRS 9	0	0	0	0	0	0	0	0	0
01 January 2018 Restated	**136 941**	**127 982**	**(1 450)**	**(22 633)**	**21 390**	**(19 922)**	**242 308**	**0**	**(19 478)**
Dividends	0	0	0	0	(12 019)	0	(12 019)	0	(12 019)
Stock options (IFRS 2)	0	0	0	377	0	0	377	0	377
Capital movements [1]	1 127	1 959	0	(502)	502	0	3 086	0	3 086
Shareholders' movements	**1 127**	**1 959**	**0**	**(125)**	**(11 517)**	**0**	**(8 556)**	**0**	**(8 556)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**28 849**	**0**	**28 849**	**0**	**28 849**
Other comprehensive income	**0**	**0**	**0**	**3 544**	**914**	**(2 081)**	**2 377**	**0**	**2 377**
Balance at 31 December 2018	**138 068**	**129 941**	**(1 450)**	**(19 214)**	**39 636**	**(22 003)**	**264 978**	**0**	**264 978**

[1] see note 2.4.2.5.12.

2.4.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

2.4.2.1. Summary of significant accounting policies

2.4.2.1.1. Statement of compliance - basis of preparation

Recticel s.a./n.v. (the "Company") is a public limited liability company incorporated in Belgium and listed on Euronext Brussels. The Company's consolidated financial statements include the financial statements of the Company, its subsidiaries, interests in jointly controlled entities (joint ventures) and in associates, both accounted for under the equity method (together referred to as "the Group").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The accounting standards applied in the consolidated financial statements for the year ended 31 December 2019 are consistent with those used to prepare the consolidated financial statements for the year ended 31 December 2018, except for the application of IFRS 16 *Leases* and IFRIC 23.

2.4.2.1.2. Changes in accounting policies and disclosures

The Group has initially adopted IFRS 16 Leases from 01 January 2019. A number of other new standards are effective from 01 January 2019 but they do not have a material effect on the Group's financial statements.

2.4.2.1.2.1. Impact of new IFRS pronouncements that are applicable starting from 01 January 2019

2.4.2.1.2.1.1. IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (<365 days) and leases of low-value items (<USD 5,000), of which the Group makes use.

In accordance with the transitional dispositions in IFRS 16, the standard has been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on 01 January 2019 (i.e. modified retrospective approach). Comparative information has therefore not been restated for IFRS 16.

In adopting IFRS 16 for the first time, the Group has applied the following cumulative catch-up options upon initial application:

- Leave comparatives as previously reported
- Carry forward existing finance lease liabilities
- Calculate outstanding lease liabilities (representing the present value of future lease payments) for existing operating leases using an incremental borrowing rate at the date of transition
- Right-of-use is equal to lease liability
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Following the adoption of IFRS 16, the Group has adapted its accounting policy for leases. The new policy is described below. The adoption of IFRS 16 resulted in changes in accounting policies but did not impact the opening equity as per 01 January 2019. For the detailed impact on the opening balance sheet as per 01 January 2019 see below.

2.4.2.1.2.1.2. New accounting policy for leases

The Group has several leases for properties, machinery and equipment and cars and the rental contracts are typically closed for a fixed period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and corresponding liability at the date of commencement of the lease, i.e. when the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis if the lease does not include a purchase option. If a purchase option is available and the Group judges that it is reasonably certain to be exercised, the right-of-use asset is depreciated over its useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- purchase option, if any - if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs (except for the leases already existing at transition date), and
- dismantling costs.

Right-of-use assets are presented separately and lease liabilities as part of financial liabilities in the statement of financial position. All lease payments that are due within 12 months are classified as current liabilities. All lease payments that are due at least 12 months after the reporting date are classified as non-current liabilities.

Lease payments related to short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT-equipment (laptops, tablets, mobile phones, pc's) and small items of office equipment and furniture.

Some leases contain variable lease payments. Payments that vary due to the use of the underlying asset are variable lease payments (e.g. lease of property based on the number of square meters used). These variable lease payments are recognised as expense as incurred.

There are no material lease agreements whereby the Group is lessor; except for one building rented to the Eurofoam group.

2.4.2.1.2.1.3. Impact IFRS 16 on statement of financial position

Upon adoption of IFRS 16 (01 January 2019), the Group recognised lease liabilities amounting to EUR 118.1 million (of which EUR 99.3 million non-current lease liabilities and EUR 18.9 million current lease liabilities) in relation to leases which had previously been classified as 'operating leases' according to IAS 17 . These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 01 January 2019.

The weighted average discount rate applied per opening balance sheet date (01 January 2019) was 3.8%.

Following table presents a reconciliation between the note disclosing the non-cancellable lease commitments as reported in the 2018 consolidated financial statements and the lease liabilities recognised at transition date (01 January 2019):

in thousand EUR

Group Recticel	
Minimum future payments as disclosed at December 31, 2018	**100 150**
Contracts excluded as not in scope of IFRS 16	(462)
Extension and termination options reasonably certain to be exercised	54 767
Recognition exemptions	
Short-term leases	(2 334)
Lease of low-value assets	(476)
Minimum future payments in scope of IFRS 16 at December 31, 2018	**151 644**
Discount effect using the incremental borrowing rate at January 01, 2019	(33 505)
Lease liabilities recognised as a result of IFRS 16 at January 01, 2019	**118 139**
Finance lease liabilities recognised at December 31, 2018	18 145
Total lease liabilities recognised at January 01, 2019	**136 284**

The related right-of-use assets were measured at an amount equal to the lease liability, adjusted for prepaid rental expenses amounting to EUR 117.5 million.

The right-of-use assets for an amount of EUR 144.8 million recognised at transition date can be detailed as follows:

in thousand EUR

Group Recticel	31 DEC 2019	01 JAN 2019
Land and buildings	80 874	114 371
Plant, machinery and equipment	13 389	18 981
Furniture and vehicules	10 846	11 496
Total right-of-use assets	**105 110**	**144 849**

The amount of right-of-use assets presented earlier is composed of (i) changes in accounting policies (i.e. implementation of IFRS 16; EUR 117.5 million) and (ii) the transfer from Property, plant and equipment of the assets previously recorded as 'finance leases' (EUR 27.3 million).

2.4.2.1.2.1.4. Impact IFRS 16 on equity

There has been no impact on the opening equity following the application of IFRS 16.

2.4.2.1.2.1.5. Impact IFRS 16 on income statement

For the twelve months ending December 31, 2019, depreciation expenses on right-of-use assets (including lease reassessments) were recognised for an amount of EUR 21.7 million. Interest expenses (included in financial expenses) were recognised for an amount of EUR 4.0 million.

In the consolidated income statement per December 31, 2019, rental expenses have been recognised for:

- Short-term leases: EUR 2.2 million
- Low-value leases: EUR 0.4 million
- Other considerations: EUR 1.5 million

If IFRS 16 had not been applied in the consolidated income statement per December 31, 2019, the EBITDA would have been EUR 24.5 million lower, the EBIT EUR 2.8 million lower and net result EUR 1.2 million higher.

2.4.2.1.2.1.6. Impact IFRS 16 on alternative performance measures

The implementation of IFRS 16 modified the computation of the net free cash-flow. Considering that, as a result of IFRS 16, operationally nothing has changed and IFRS 16 is only an accounting change, the definition of net free cash-flow is adjusted to include the repayment of lease liabilities (i.e. excluding the interest expense).

As such, the net free cash-flow will be computed as follows: the sum of the (i) Net cash flow after tax from operating activities, (ii) the Net cash flow from investing activities, (iii) the Interest paid on financial liabilities and (iv) the decrease of lease liabilities; as shown in the consolidated cash flow statement.

2.4.2.1.2.1.7. IFRIC 23 Uncertainty over Income Tax Treatments, effective for annual periods beginning on or after 01 January 2019

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Despite the initial application of IFRIC 23, there was no impact in the opening equity as per January 1st, 2019, as the Group was already applying the principles of IFRIC 23 in the prior years.

2.4.2.1.2.2. New IFRS pronouncements that are applicable starting from 01 January 2023

2.4.2.1.2.2.1. IFRS 17 Insurance contracts

IFRS 17 is normally applicable to reinsurance contracts, but considering the limited size of the Group's reinsurance subsidiary Recticel RE s.a., the Group does not expect that IFRS 17 will have a significant impact. In this respect the Group is still analysing the extent of IFRS 17.

2.4.2.1.3. General principles

Currency of accounts
The financial statements are presented in thousand euro (EUR) (unless specified otherwise), which is the currency of the primary economic environment in which the Group operates. The financial statements of foreign operations are translated in accordance with the policies set out below under 'Foreign Currencies'.

Historical cost convention
The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Investments in equity instruments which are not quoted in an active market and whose fair value cannot be reliably measured by alternative valuation methods are carried at cost.

Foreign currencies
Foreign currency transactions - Transactions in currencies other than EUR are accounted for at the exchange rates prevailing at the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at closing rate. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the exchange rates prevailing at the date the fair value was determined. Gains and losses resulting from such translations are recognised in the financial result of the income statement, except when deferred in equity.

Translation from functional currency to the presentation currency - For purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at closing rate. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Resulting exchange differences are recognised in other comprehensive income and accumulated in equity (attributable to non-controlling interests as appropriate). On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), exchange differences accumulated in equity are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributable to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities (joint ventures) that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Consolidation principles
Consolidated financial statements include subsidiaries and interests in jointly controlled entities (joint ventures) and associates accounted for under the equity method.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group transactions, balances, income and expenses are eliminated in consolidation.

• Subsidiaries
Subsidiaries are entities that are controlled directly or indirectly. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Consolidation of subsidiaries starts from the date Recticel controls the entity until the date such control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

However, when the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

• Jointly controlled entities
IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement.

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share in any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Group reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investments in Eurofoam and in Proseat should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

• Joint Ventures and Associates

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture and an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the venture and the associate. When the Group's share of losses of a venture and an associate exceeds the Group's interest in that joint venture and associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture and associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture and associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture and an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

IAS 28.28 only permits recognition of the gain or loss from downstream transactions "to the extent of unrelated investors' interests in the associate or joint venture". However, the standard does not specifically address the treatment of revenue derived from transactions with equity-method investees (i.e. revenue from the sale of goods, or interest revenue) and whether that revenue should be eliminated from the consolidated financial statements.

In respect of the treatment of revenues derived from transactions with joint ventures and associates (i.e. sales services, interest revenue, …), the Group has opted not to eliminate its interest in these transactions. As a matter of example, Recticel receives EUR 100 interest income on a loan provided to a 50/50 joint venture. Under the accounting policy adopted by Recticel this interest income would be accounted for as EUR 100 interest income of the Group. The cost incurred by the joint venture would be accounted for on a proportional (50%) basis through "results in joint ventures and associates" without making any adjustment for the proportional interest held by Recticel.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture and an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of fair value and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a joint venture and an associate that results in the Group losing significant influence over that joint venture and associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the joint venture and associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture and associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture and associate on the same basis as would be required if that joint venture and associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture and associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that joint venture and associate.

• Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When Recticel acquires an entity or business, the identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Where such a difference is negative, the excess is, after a reassessment of the values, recognised as income immediately as a bargain purchase gain.

Non-controlling interests (minority shareholders) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If Recticel increases its interest in an entity or business over which it did not yet exercise control (in principle increasing its interest up to and including 50% to 51% or more) (a business combination achieved in stages), the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (maximum one year after acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Goodwill
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the related goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment
An item of property, plant and equipment is recognised if it is probable that associated future economic benefits will flow to the Group and if its cost can be measured reliably. After initial recognition, all items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, except for land which is not depreciated. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent expenditure related to an item of property, plant and equipment is expensed as incurred.

Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment using the straight-line method. Depreciation starts when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Project-related assets are depreciated over the production period of the project. In case of reallocation of fully depreciated assets, the latter might require a reconditioning. These reconditioning costs are amortised over the term of the new project, without additional revaluation or reversal of any impairments.

The estimated useful lives of the most significant items of property, plant and equipment are within the following ranges:

The estimated useful lives of the most significant items of property, plant and equipment are within the following ranges:

Land improvements	: 25 years
Offices	: 25 to 40 years
Industrial buildings	: 25 years
Plants	: 10 to 15 years
Machinery	
Heavy	: 11 to 15 years
Medium	: 8 to 10 years
Light	: 5 to 7 years
Pre-operating costs	: 4 years
Equipment	: 5 to 10 years
Furniture	: 5 to 10 years
Hardware	: 3 to 10 years
Vehicle fleet	
Cars	: 4 years
Trucks	: 7 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets
Except for goodwill and intangible assets with an indefinite useful life which are tested for impairment at least annually, other tangible and intangible fixed assets are reviewed for impairment when there is an indication that their carrying amount will not be recoverable through use or sale. If an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value-in-use and the carrying amount. In assessing the fair value or value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in previous years. However, impairment losses on goodwill are never reversed.

Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Financial assets
Financial assets are recognised or derecognised on the trade date which is the date the Group undertakes to purchase or sell the asset. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to the fair value of the financial assets on initial recognition, except for financial assets at fair value through profit or loss, where the transaction costs are recognised immediately in profit or loss.

After initial recognition, financial assets are measured at either amortised cost or fair value, based on the classification of the financial assets.

Classification of financial assets
The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Debt instruments (such as loans, trade and other receivables, cash and cash equivalents) are subsequently measured at amortised cost using the effective interest method, less any impairment if they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and margin points paid or received) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial investments (equity investments) are normally measured in the consolidated statement of financial position at fair value through profit or loss. However, the Company can make an irrevocable election at initial recognition to measure the investment at fair value through other comprehensive income ("FVTOCI"), with dividend income recognised in profit or loss. Equity investments in non-listed companies previously classified as available-for-sale in accordance with IAS 39 Financial Instruments: Recognition and Measurement are now classified and measured as investments measured at FVTOCI. Management considers that cost is an appropriate estimate of fair value for these non-listed equity investments because there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Impairment of financial assets
IFRS 9 requires a forward-looking expected credit loss ("ECL") approach to assess impairments of financial assets. As such, the Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables without a significant financing component (short-term trade receivables). These credit losses are the expected credit losses that result from all possible default events over the expected life of those trade receivables, using a provision matrix that considers historical information on defaults adjusted for forward-looking information.

For long-term loans to related parties the general impairment assessment model is applied. IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit loss.

Management has concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. Accordingly, the Group recognises lifetime expected credit losses for these loans until they are derecognised.

IFRS 9 applies the same measurement approach to loan commitments and financial guarantee contracts (other than measured at fair value through profit or loss) where previously these were measured with reference to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On the entire derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

On the partial derecognition of a financial asset other than its entirety (i.e. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that has been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Financial liabilities and equity instruments

An instrument is classified as a financial liability or as an equity instrument according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

Compound financial instruments

The components of compound instruments (e.g. convertible notes) issued by the Company are classified separately as debt component and equity component in accordance with the substance of the contractual arrangements and the definitions of the debt portion and an equity portion of such instrument.

At the time the conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, such compound instrument is re-qualified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised costs basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The value of the conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

In addition, the conversion option classified as equity will at conversion be transferred to share premium or other equity item.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to financial liability. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities (including interest-bearing borrowings and trade payables) are initially measured at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, they are measured at amortised cost, except for derivative instruments.

Interest-bearing borrowings and payables

Interest-bearing borrowings are recorded at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value (including premiums payable on settlement or redemption) is recognised in the income statement over the period of the borrowing.

Trade payables which are not interest-bearing are stated at cost, being the fair value of the consideration to be paid.

Derivative financial instruments

Derivative instruments with a negative fair value are classified at fair value through profit and loss ("FVTPL"), unless they are designated and effective as hedges.

Hedge accounting

The Group may designate certain derivatives, in respect of interest rate risk and foreign exchange rate risk, as hedging instruments in a cash flow hedge relationship.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or a forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency reserve. The gain or loss to the ineffective portion is recognised immediately in profit and loss.

Fair value hedges

A derivative instrument is recognised as fair value hedge when it hedges the exposure to variation of the fair value of the recognised assets or liabilities. Derivatives classified as a fair value hedge and the hedged assets or liabilities are carried at fair value. The corresponding changes of the fair value are recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Pensions and similar obligations

• Post-employment benefits

In accordance with the laws and practices of each country, the affiliated companies of the Group operate defined benefit and/or defined contribution retirement benefit plans. It is Group policy to operate defined contribution plans for newly-hired employees where this is possible and appropriate.

1. Defined contribution plans
   Contributions payable to defined contribution plans are recognised as an expense in the period in which the related employee's service is rendered.

2. Defined benefit plans
   For defined benefit plans, the amount recognised in the statement of financial position is the present value of the defined benefit obligation less the fair value of any plan assets.

If the amount to be recognised in the statement of financial position is an asset, the asset recognised is restricted to the asset ceiling, which is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

For funded plans subject to a minimum funding requirement, where contributions payable to cover an existing shortfall on the minimum funding basis in respect of services already received are not available as a refund or reduction in future contributions after they are paid into the plan, an additional "onerous" liability is recognised where necessary, in accordance with IFRIC 14.

In the income statement, current and past service costs (including curtailments), settlement costs and administration expenses are charged in "other operating income & expenses", while the net interest cost is booked in "other financial income & expenses".

The present value of the defined benefit obligation and the related current and past service costs are calculated by qualified actuaries using the projected unit credit method. The discount rate is based on the prevailing yields of high-quality corporate bonds terms with a currency and term consistent with the currency and term of the benefit obligations. For currencies for which there is no deep market in such bonds, government bonds are taken into account.

The fair value of insurance contracts that match the amount and timing of some or all of the benefits payable under a plan is deemed to be the present value of the related obligations.

Remeasurements include actuarial gains and losses, resulting from differences between previous actuarial assumptions and actual experience, and from changes in actuarial assumptions, the return on plan assets and any changes in the effect of the asset ceiling and/or onerous liability (excluding amounts included in net interest). Such remeasurements are recognised in other comprehensive income.

Past service costs, arising from plan amendments, are recognised immediately as an expense.

Defined contribution pension plans in Belgium and Switzerland are 'hybrid' pension plans that qualify as defined benefit plans for IFRS purposes, because they are by law subject to minimum guaranteed rates of return and have to guarantee minimum annuity conversion rates. There is hence a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guarantees.

• Termination benefits

A liability and expense for termination benefits is recognised at the earlier of the following dates: (a) when the offer of those benefits can no longer be withdrawn; and (b) when costs are recognised for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black & Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 2.4.2.6.2.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that eventually will be vested.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and that vested after 01 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Provisions

• General

Provisions are recognised when (i) the Group has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that the Group will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount is the present value of expenditures required to settle the obligation. Impacts of changes in discount rates are generally recognised in the financial result.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received if the Group settles the obligation.

• Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Present obligations arising from onerous contracts are recognised and measured as provisions.

• Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has, by starting to implement the plan or announcing its main features to those affected by it, raised a valid expectation with those affected that it will carry out the restructuring. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

• Environmental liabilities

Recticel analyses twice a year all its environmental risks and the corresponding provisions. The Group measures these provisions to the best of its knowledge of applicable regulations, the nature and extent of the pollution, clean-up techniques, and other available information.

Revenue recognition

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time.

To recognise revenue, IFRS 15 applies a "five steps" model:

- identify the contract(s) with a customer.
- identify the performance obligations in the contract.
- determine the transaction price.
- allocate the transaction price to each performance obligation.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

Transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.

The most common types of variable consideration that can be identified are:

- Volume discounts (Flexible Foams, Bedding, Insulation)
- Year-end rebates (Flexible Foams, Bedding, Insulation)
- Adjustments to cope with changes in raw material prices on a prospective basis (Flexible Foams).

It is not unusual to agree on yearly supply agreements with the customer which fixes the selling prices of the goods for the relevant year. These agreements do not include any commitments to volumes made by the customer. The amount of revenue recognised is adjusted for expected rebates and discounts. A contract liability is being recognised upon selling the goods to the customer and released when the credit note is issued.

If a credit note is issued to the customer to compensate for quality claims, this shall be recognised as a reduction of the revenues.

The most common types of considerations paid to the customer (in bedding and insulation) relate to:

- Participation to flyers
- Participation to advertising campaigns
- Promotional in-store activities

The considerations paid to participate in the customer's flyers shall be deducted from revenue as the services provided by the customer to the Group can generally not be considered as being distinct.

Point in time or over time recognition

A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Main part of the revenue of the Group is recognised at a point in time, i.e. at the moment the goods are transferred to the customer, except for the revenue generated by the Automotive business for the sale of moulds.

The Group serves global Tier-1 customers as well as Original Equipment Manufacturers (OEM) in the automotive sector. Parts are produced with moulds purchased on behalf of the Tier 1 / customer. These moulds are re-invoiced to the Tier 1 / customer.

Customers obtain control of the products when the goods are delivered to and have been accepted at their premises.

The parts have no alternative use and there are enforceable rights to payment, therefore revenue is recognised over time. As the production time is very short, Recticel however opted to recognise revenue in respect of the parts at a point in time for practical reasons.

The mould is not a distinct performance obligation but is to be combined with the parts to be produced.
The revenue on the moulds as it has to be combined with the delivery of the parts, is recognised over time.

Recticel applies a linear recognition of revenue as this does not result in material differences of revenue recognition in the income statement compared to the revenue recognition that would have to be applied in accordance with the principles of IFRS 15:

a. the price contractually defined in respect of the mould is recognised pro rata the number of parts delivered in relation to Recticel's best estimate of what they believe are probable quantities to be delivered under the contract;
b. Revenue on the parts is recognised based on the actual number of parts sold multiplied by the agreed price per unit.

Moulds revenues and costs are recognised over four years (as this is average term of the production of the parts) as from the moment serial parts are delivered to the customer (i.e. start of production), regardless of the moment when the mould costs are reimbursed by the customer. Before the start of production, an "Other contract asset – contracts in progress" is recognised for all purchase and development costs of the moulds incurred and released as from the start of production over four years.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to staff training costs are recognised as income over the periods required to match them with the related costs and are deducted from the related expense.

Government grants relating to property, plant & equipment are treated by deducting the received grants from the carrying amount of the related assets. These grants are recognised as income over the useful life of the depreciable assets.

Income taxes
The tax expense represents the sum of the current tax expense and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

The carrying amount of deferred tax assets is reviewed at least at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.4.2.1.4. Key judgments and major sources of estimation uncertainty

Drawing up the annual accounts in accordance with IFRS requires management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically, and the effects of such reviews are taken into account in the annual accounts of the period concerned. Future events which may have a financial impact on the Group are also included in this.

The estimated results of such possible future events may consequently diverge from the actual impact on results. Assessments and estimates were made, inter alia, regarding:

- impairments of goodwill, intangible assets and property, plant and equipment;
- determination of loss allowances for expected credit losses;
- determination of write-downs on inventories;
- determination of provisions for restructurings;
- determination of provisions for onerous contracts;
- determination of provisions for contingent liabilities, litigations and other exposures;
- valuation of post-employment defined benefit obligations, other long-term employee benefits and termination benefits;
- the recoverability of deferred tax assets;
- the recognition of revenue related to the sale of moulds over a period of 4 years.
- the assessment of the lease term is used as judgement within IFRS 16.

It is not excluded that future revisions of such estimates and assessments could trigger an adjustment in the value of the assets and liabilities in future financial years.

The recent COVID-19 crisis has been treated as a non-adjusting event and as a consequence the major judgements and estimates made per 31 December 2019 are not considering the downturn in economic circumstances due to COVID-19. See also note 2.4.2.6.3. - Events after the reporting date.

• Impairments on goodwill, intangible assets and property, plant and equipment and right-of-use assets

For amortizable long-term assets, an impairment assessment will in first place be made at the level of the individual asset. Only when it is not possible to estimate a recoverable value on an individual level, the evaluation will be made at the level of the cash generating unit (hereafter "CGU") to which the asset belongs. For amortizable long-term assets, an impairment analysis should be performed in case of impairment indicators. If such indicators exist, an impairment analysis shall be performed at the CGU level.

For goodwill (and other not depreciated long term assets) an impairment test is performed at least annually. The carrying amount can be allocated on a reasonable and consistent basis. The allocation of goodwill to a CGU or a group of CGUs also takes account of the synergies of the business combination expected by the decision maker. Goodwill can be allocated for impairment testing to a group of CGUs, if the chief operating decision maker considers this as the most appropriate allocation. There is a link between the level at which goodwill is tested for impairment and the level of internal reporting that reflects the way the entity manages its operations and with which the goodwill is associated (as such it cannot exceed the level of the reported segments as defined by IFRS 8).

For the segment **Flexible Foams**, the CGU level is defined following the market and production capacities. This approach leads to the determination of four CGUs:

- CGU "Flexible Foams - United Kingdom";
- CGU "Flexible Foams - Continental Europe";
- CGU "Flexible Foams - Scandinavia";
- CGU "Flexible Foams - International".

For the segment **Bedding**, the CGU level is defined as the Bedding segment level as a whole, considering the strong interdependence between the different markets, the shared production capacities as well as the central decision-making process.

For the segment **Insulation**, the CGU level is defined following the market and production capacities. This approach leads to the determination of two CGUs:

- CGU "Insulation - United Kingdom";
- CGU "Insulation - Continental Europe".

For the segment **Automotive**, each individual plant (previously each individual project) forms a separate CGU. Interiors business investments were historically often dedicated to a specific car model. Therefore, recoverability of the investment depended on the success of such specific car model. Given changes in technology that provide ability to move more and more project(s) from one line to another and/or to relocate some production assets, the definition of the Cash Generating Unit (CGU) has been reset from individual project (until 2018) to plant level (as from 2019).

An impairment analysis was performed for the above CGUs considering the goodwill allocated to them.

The net book value of the assets retained for impairment tests, as included in the below table, represents 100% of the total **goodwill**.

For **2019:**

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	INSULATION	AUTOMOTIVE	CORPORATE	TOTAL
United Kingdom	3 186	-	976	-	-	4 162
Continental Europe	1 061	-	2 211	-	-	3 272
Scandinavia	5 411	-	-	-	-	5 411
Other	0	11 566	-	0	0	11 566
Total net book value of goodwill	**9 659**	**11 566**	**3 187**	**0**	**0**	**24 412**

For **2018:**

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	INSULATION	AUTOMOTIVE	CORPORATE	TOTAL
United Kingdom	3 044	-	908	-	-	3 952
Continental Europe	1 061	-	1 619	-	-	2 680
Scandinavia	5 403	-	-	-	-	5 403
Other	0	11 318	-	0	0	11 319
Total net book value of goodwill	**9 508**	**11 318**	**2 527**	**0**	**0**	**23 354**

The net book value of the assets retained for impairment tests, as included in the below table, represents about 75.6% of the total property, plant and equipment, 72.2% of the total intangible assets and 87.0% of the total right-of-use assets.

The examined assets relate to (i) the Flexible Foams' activities in the United Kingdom, Continental Europe and Scandinavia, (ii) Bedding activities at the level of the whole segment and to (iii) the Automotive-Interiors' operations of the Group.

The below table provides an overview of impairments recognised by segment:

For **2019:**

in thousand EUR

Group Recticel	FLEXIBLE FOAMS			BEDDING	INSULATION	AUTOMOTIVE	TOTAL
	United Kingdom	**Continental Europe**	**Scandinavia**		**Continental Europe**		
Goodwill	3 186	1 061	5 411	11 566	2 211	0	23 435
Other intangible assets	294	3 960	608	1 739	1 873	1 853	10 327
Property, plant & equipment	2 655	38 990	7 193	20 613	53 943	48 661	172 055
Assets under construction	943	14 205	909	2 711	1 675	3 974	24 417
Right-of-use assets	13 790	4 184	4 244	15 400	23 900	29 956	91 474
Total net book value	**20 868**	**62 400**	**18 365**	**52 029**	**83 602**	**84 444**	**321 708**
of which impairments recognised during the period	0	(63)	0	(287)	(46)	(1 425)	(1 821)

Footnote: Working capital is not included in the analysis.

Impairment charges are not linked to the general impairment analysis but relate mainly to (i) assets in Automotive Interiors in Germany (EUR -0.8 million) and in China (EUR -0.7 million) and (ii) idle assets in Bedding following the closure of the Hassfurt (Germany) plant (EUR -0.3 million).

For **2018:**

in thousand EUR

Group Recticel	FLEXIBLE FOAMS			BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Continental Europe**	**Scandinavia**		**Interiors**	
Goodwill	3 044	1 061	5 403	11 318	0	20 827
Other intangible assets	67	843	618	1 264	1 471	4 263
Property, plant & equipment	2 727	39 633	7 626	24 924	53 541	128 450
Assets under construction	575	8 637	373	3 399	7 490	20 473
Total net book value	**6 413**	**50 174**	**14 019**	**40 905**	**62 501**	**174 012**
of which impairments recognised during the period	(1 000)	(3 849)	0	430	(1 400)	(5 819)

Footnote: Working capital is not included in the analysis.

Impairment charges relate to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million, recognised per 30 June 2018), (ii) assets in Continental Europe (Flexible Foams) (EUR -3.8 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million, recognised per 31 December 2018).

For the impairment test of the items included in the table above, certain assumptions were made. The impairment tests have been applied on the "cash-generating units" ("CGU") on the basis of the principles set out above. The recoverable amount of the total CGU is determined on the basis of the value-in-use model.

When determining its expected future cash flows, the Group takes into account prudent, though realistic, assumptions regarding the evolution of its markets, its sales, the raw materials prices, the impact of past restructurings and the gross margins, which all are based on (i) the past experiences of the management and/or (ii) which are in line with trustworthy external information sources. It can however not be excluded that a future reassessment of assumptions and/or market analysis induced by future developments in the economic environment might lead to the recognition of additional impairments.

For the discounting of the future cash flows, a uniform overall Group-based pre-tax discount rate of 7.5% is used for all CGUs (7.2% in 2018). This pre-tax discount rate is based on a (long-term) weighted average cost of capital based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted; the risks being implicit in the cash flows.

For countries with a higher perceived risk (i.e. emerging markets), the level of investments is very limited (1.2% of total fixed assets); hence no separate pre-tax discount rate is used.

The pre-tax discount rate for impairment testing is based on the following assumptions: (EUR based)

	2019	2018
Group target ratios:		
Gearing: net financial debt/total equity	33.3%	50%
% net financial debt	25%	33%
% total equity	75%	67%
Pre-tax cost of debt	**0.45%**	**1.0%**
Pre-tax cost of equity = $(R_f + E_m * \beta + S_p)/(1-T)$	**11.8%**	**11.5%**
Risk free interest rate = R_f	0.45%	0.9%
Beta = β	1.20	1.25
Market equity risk premium = E_m	6.0%	5.5%
Small cap premium = S_p	1.5%	1.0%
Corporate tax rate = T	**22.8%**	**23.5%**
Assumed inflation rate	1.8%	2.0%
Pre-tax WACC (weighted average cost of capital)	**7.5%**	**7.2%**

The discount factors are reviewed at least annually.

A. Flexible Foams

- ***Key assumptions***

The dynamics of the business model, budgets and projected cash flows are based on stable cost structures which reflect inflation rates on labour and other costs, stable fixed costs and capital expenditure (except for the CGU Flexible Foams – United Kingdom). Gross margins and operating results are sensitive to the volatility of chemical raw material costs, which are unpredictable. Therefore, the budgets assume that increases or decreases in material costs are compensated through adaptions of the sales prices.

For the CGU "Flexible Foams – United Kingdom" and "Flexible Foams – Scandinavia" the value-in-use model projections are based on budgets and financial plans covering in total a three-year period with a sales growth rate of 3.00% as from the second year. After this 3-year period, a perpetuity value is taken into account without growth rate. For the first year (i.e. 2020) EBITDA is based on the full-year 2019 level and the full-year effect of the efficiency measures taken in 2019.

For the CGU "Flexible Foams – Continental Europe", the value-in-use model projections are based on budgets and financial plans covering in total a three-year period with a sales growth rate of 2.00% as from the second year. After this 3-year period, a perpetuity value is taken into account without growth rate.

On this basis, the value-in-use of the CGU "Flexible Foams – United Kingdom" amounts to 1.5 times (2018: 1.9 times) the net asset book value, the value-in-use of the CGU "Flexible Foams – Continental Europe" amounts to 3.6 times (2018: 5.4 times) the net asset book value, and the value-in-use of the CGU "Flexible Foams – Scandinavia" amounts to 4.5 times (2018: 6.2 times) the net asset book value.

- ***Sensitivity analysis***

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests (see overview table below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin on sales (-1%) on the outcome of the impairment tests – applied on the business plan 2020-2022 and the perpetuity (see overview table below).

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin on sales (-1%) – applied on the business plan and the perpetuity – on the outcome of the impairment tests (see overview table below).

For both sensitivity analyses it is assumed that all other parameters of the underlying assumptions, such as market evolution, sales, raw materials prices, impact of past restructurings and gross margins, operating charges, working capital needs, capital expenditure, … (not exhaustive), remain unchanged.

Sensitivity	DISCOUNTED CASH FLOW / NET ASSET BASE (INCLUDING RIGHT-OF-USE ASSETS)			
	BASE CASE	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Flexible Foams - United Kingdom	1.5 times book value	1.3 times book value	1.2 times book value	1.0 times book value
Flexible Foams - Continental Europe	3.6 times book value	3.1 times book value	3.2 times book value	2.8 times book value
Flexible Foams - Scandinavia	4.5 times book value	3.9 times book value	4.1 times book value	3.6 times book value

B. Bedding

- ***Key assumptions***

The dynamics of the business model, budgets and projected cash flows are based on stable cost structures which reflect inflation rates on labour and other costs, stable fixed costs and capital expenditure. Gross margins and operating results are mainly driven by the sales volumes, the product-mix and resulting average sales price, as well as the level of advertising and marketing expenses.

For the CGU "Bedding – Segment", the value-in-use model projections are based on budgets and financial plans covering a three-year period with an anticipated average sales growth of 1.00% (2018: 2.00%) as from the second year. After this 3-year period, a perpetuity value is taken into account without growth rate. For the first year (i.e. 2020) EBITDA is based on the full-year 2019 level and the full-year effect of the reorganisation measures taken in Germany (i.e. Hassfurt).

On this basis, the value-in-use of the CGU "Bedding – Segment" amounts to 1.8 times (2018: 3.2 times) the net asset book value.

- ***Sensitivity analysis***

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests (see overview table below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin (-1%) on the outcome of the impairment tests (see overview table below).

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin (-1%) – applied on the business plan 2020-2022 and the perpetuity- on the outcome of the impairment tests (see overview table below).

For both sensitivity analyses it is assumed that all other parameters of the underlying assumptions remain unchanged.

Sensitivity	DISCOUNTED CASH FLOW / NET ASSET BASE (INCLUDING RIGHT-OF-USE ASSETS)			
	BASE CASE	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Bedding	1.8 times book value	1.6 times book value	1.3 times book value	1.2 times book value

C. Automotive

- ***Key assumptions***

Cash flows:

For the CGU "Interiors", the value-in-use model projections are based on the budgets and financial plans for the existing and contracted projects per closing date and for the duration of each project at plant level, in combination with an overview of the entire capacity utilisation. Project assets are depreciated over the project life time. The plant based approach for the CGU "Interiors" is considered reasonable given the interchangeability of the assets, the improved plant set-up and the fact that considerable part of the assets is allocated to multiple projects.

Impairments are booked on property, plant and equipment and intangible assets:
- if a plant generates insufficient cash flow to cover the depreciation of the property, plant and equipment and intangible assets assigned to the plant,
- for property, plant and equipment or intangible assets which are expected not to be reallocated to other plants. Consequently, assets which are expected to become available within 2 years and cannot be reallocated to other projects need to be impaired.

In case of reallocation of fully depreciated assets, the latter might require a reconditioning. These reconditioning costs are amortised over the term of the new project, without additional revaluation or reversal of any impairment.

In 2019 an impairment of EUR 1.5 million has been recognised due to the intention to close the plant in Schönebeck (Germany) and the discontinuation of one program in Ningbo (China).

Discount rate:

The pre-tax discount rate used amounts to 7.5% (2018: 7.2%) and is based on a weighted average cost of capital based on the current market expectations of the time value of money and the risks for which future cash flows must be adjusted.

- ***Sensitivity analysis***

With regard to the CGU "Interiors", an increase in the pre-tax discount rate to 8.5% (2018: 8.2%) or decrease of the gross margin on sales of 1% would not give rise to material impairments at plant level. For both sensitivity analyses it is assumed that all other parameters of the underlying assumptions (business plan 2020-2026) remain unchanged. It should be noted that the situation does vary from one plant to another and certain sites have a limited headroom. The analysis also takes into account productivity gains to be realised.

- **Loss allowances for expected credit losses**

A loss allowance for expected credit losses is recognised for trade debtors for which a risk of total or partial non-recovery of outstanding receivables exists due to the debtor's poor financial condition or for economic, legal or political reasons. The decision to classify a receivable as doubtful will be made by the management on the basis of all information available to them at any time. In line with the Group accounting principles, details on the amounts of the loss allowance for expected credit losses can be found in note 2.4.2.5.9.

- **Provisions for restructurings and onerous contracts**

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has, by starting to implement the plan or announcing its main features to those affected by it, raised a valid expectation in those affected that it will carry out the restructuring.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

In line with the Group accounting principles, details on the amounts of provisions for restructurings and onerous contracts can be found in notes 2.4.2.3.1., 2.4.2.4.3. and 2.4.2.5.14.

- **Provisions for contingent liabilities, litigations and other exposures**

Any significant litigation (tax and other, including threat of litigation) is reviewed by Recticel's in-house lawyers with the support, when appropriate, of external counsels at least every half-year. This review includes an assessment of the need to recognise provisions and/or to re-measure existing provisions together with the Finance department and the Insurance department. Further details are provided in note 2.4.2.6.9.

- **Valuation of post-employment defined benefit obligations, other long-term employee benefits and termination benefits**

The actuarial assumptions used in determining the defined benefit obligations at December 31, and the annual cost, can be found in note 2.4.2.5.13. All main employee benefit plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined centrally by management. Other assumptions (such as future salary increases and demographic assumptions) are defined at a local level. All plans are supervised by the Group's central Human Resources department with the help of a central actuary to check the acceptability of the results and ensure consistency in reporting.

- **Current and deferred tax**

All tax returns are prepared in good faith based on the available information with often the assistance of external tax advisors. There are several tax audits ongoing in the Group, notably in Germany. The result of these tax audits is not yet clear as the Group is still in a situation of fact finding. It is currently unclear whether any potential finding would lead to a loss of tax losses carried forward or income taxes to be paid. Until now, no material tax corrections have taken place. However, important tax corrections can never be excluded. In such case, Recticel will defend its position, always in full collaboration with the tax authorities.

Deferred tax assets are mainly recognised for the unused tax losses carried forward to the extent that future taxable profits are expected to be available to offset these unused tax losses carry forwards. For this purpose, management bases recognition of deferred tax assets on its business plans (see note 2.4.2.4.6).

Deferred tax assets increased from EUR 20.5 million to EUR 24.1 million, impacting the income statement by EUR +2.4 million and by EUR +0.8 million the equity level. The impact on the income statement is mainly driven by the recognition of deferred tax assets in France and Spain.

Deferred tax assets are recognised mainly in Belgium (Recticel n.v. - EUR 17.4 million); Spain(Recticel Iberica – EUR 2.6 million), France (Recticel SAS – EUR 1.4 million), Finland (Recticel OY – EUR 0.5 million) and the United Kingdom (Recticel Ltd. - EUR 0.9 million).

2.4.2.2. Changes in scope of consolidation

The following main changes in the scope of consolidation took place during the year 2019:

- Ownership interest in the Proseat group (Automotive) decreased in February 2019 from 51% (joint venture) to 25% (associate).
- Increase of the participation in Turvac (Insulation) from 50% (joint venture) to 74% (subsidiary with minority interest).

The impact of the partial divestment in the joint venture Proseat on balance sheet and income statement can be summarized as follows:

in thousand EUR

Group Recticel	INVESTMENTS IN JOINT VENTURES	TRANSLATION DIFFERENCE	INVESTMENT AT EQUITY METHOD LESS TRANSLATION DIFFERENCES	DISPOSAL PRICE	PROFIT (LOSS)
Total disposal of Proseat affiliates (75%)	**20 638**	**(453)**	**21 091**	**20 614**	**(477)**
	EQUITY ACQUIRED			ACQUISITION PRICE	
Acquisition 49% of Proseat nv after disposal of Proseat affiliates	8 487	-	-	(6 584)	1 903
Net total at level Recticel n.v.	**-**	**-**	**-**	**14 030**	**1 426**
Disposal affiliates Proseat by Proseat n.v. at 51% (under equity method)	4 606	65	4 671	6 108	1 436
Other elements on disposal of result transfer	-	-	-	-	(228)
Net total at Group level	**-**	**-**	**-**	**-**	**2 634**

2.4.2.3. Business and geographical segments

2.4.2.3.1. Business segments

IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Despite the application of IFRS 11, the chief operating decision makers continue to operate on the basis of financial data per segment on a "Combined" basis, i.e. including Recticel's pro rata share in the joint ventures, after intercompany eliminations, in accordance with the proportionate consolidation method.

The information reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment per segment is more specifically focussed on Sales, EBITDA, EBIT, Capital Employed and Operational Cash Flow per segment. The principal market segments for these goods are the four operating segments: Flexible Foams, Bedding, Insulation, Automotive, and Corporate. For more details on these segments, reference is made to the first part of this annual report. Information regarding the Group's reportable segments is presented below. Inter-segment sales are made at conditions which are applicable under the framework of the Group Transfer Pricing Policy.

Income statement for the year 2019

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
SALES								
External sales	514 493	237 338	221 955	247 164	0	**1 220 950**		
Inter-segment sales	34 571	4 929	1 749	0	(41 249)	**0**		
Total sales	**549 063**	**242 267**	**223 704**	**247 164**	**(41 249)**	**1 220 950**	**(182 433)**	**1 038 517**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Unallocated corporate expenses [1]					(23 127)			
EBIT	**32 718**	**7 017**	**2 986**	**20 666**	**(23 127)**	**40 260**	**(3 112)**	**37 148**
Financial result								(8 227)
Result for the period before taxes								**28 921**
Income taxes								(4 203)
Result for the period after taxes								**24 718**
of which non-controlling interests								(44)
of which share of the Group								24 762

[1] Includes headquarters' costs (EUR 20.7 million (2018: EUR 15.3 million)) and R&D expenses (Corporate Programme) (EUR 2.4 million (2018: EUR 2.2 million)).

Disaggregation of combined revenues

in thousand EUR

Group Recticel	2019	2018
Comfort foam	305 937	356 701
Technical foams	243 126	264 783
Flexible Foams	**549 063**	**621 484**
Branded Products	157 879	150 966
Non-branded/Private label	84 389	92 823
Bedding	**242 268**	**243 789**
Insulation	**247 164**	**271 166**
Interiors	183 547	199 449
Seating [1]	40 157	164 431
Automotive	**223 704**	**363 880**
Eliminations	(41 249)	(52 056)
TOTAL COMBINED REVENUES	**1 220 950**	**1 448 264**
Adjustment for joint ventures by application of IFRS 11	(182 433)	(330 612)
TOTAL CONSOLIDATED REVENUES	**1 038 517**	**1 117 652**
Timing of revenue recognition		
At a point in time	1 196 234	1 426 046
Over time (moulds)	24 716	22 218
TOTAL COMBINED REVENUES	**1 220 950**	**1 448 264**

[1] In 2019 this relates to the sale of chemical raw materials at cost to Proseat companies. In 2018 this relates to the Group's pro rata share of sales of the Proseat group.

Revenue recognised over time relates to the sale of moulds in the Automotive segment.

Other information 2019

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	21 356	8 720	20 398	10 714	2 373	**63 561**	(7 312)	**56 295**
Impairment losses recognised in profit and loss	63	287	1 425	46	0	**1 821**	0	**1 821**
EBITDA	54 136	16 024	24 809	31 426	(20 754)	**105 641**	(10 377)	**95 264**
Capital expenditure/additions	17 313	5 143	6 201	26 065	3 504	**58 226**	(4 556)	**53 670**

Impairments

In 2019, impairment charges amounted to EUR -1.8 million and relate to (i) idle tangible assets in Bedding following the closure of the Hassfurt (Germany) plant (EUR -0.3 million) and (ii) assets in Automotive Interiors in Germany (EUR -0.8 million) and China (EUR -0.7 million).

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

The breakdown of the goodwill per business line per 31 December 2019

in thousand EUR

Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	469	(469)	0
Continental	1 061	0	1 061
Scandinavia	5 411	0	5 411
United Kingdom	3 191	0	3 191
Total Flexible Foams	**10 132**	**(469)**	**9 663**
Total Bedding	**11 613**	**0**	**11 613**
Continental	2 160	0	2 160
United Kingdom	976	0	976
Total Insulation	**3 136**	**0**	**3 136**
Total goodwill	**24 881**	**(469)**	**24 412**

Income statement for the year 2018

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
SALES								
External sales	577 688	237 421	362 018	271 137	0	**1 448 264**		
Inter-segment sales	43 796	6 369	1 862	29	(52 056)	**0**		
Total sales	**621 484**	**243 790**	**363 880**	**271 166**	**(52 056)**	**1 448 264**	**(330 612)**	**1 117 652**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Unallocated corporate expenses [1]						**(17 482)**	**0**	**(17 482)**
EBIT	**15 562**	**(2 070)**	**12 914**	**38 123**	**0**	**47 046**	**(4 099)**	**42 947**
Financial result								(3 886)
Result for the period before taxes								**39 061**
Income taxes								(10 212)
Result for the period after taxes								**28 849**
of which non-controlling interests								0
of which share of the Group								28 849

[1] Includes headquarters' costs (EUR 15.3 million (2017: EUR 14.5 million)) and R&D expenses (Corporate Programme) (EUR 2.2 million (2017: EUR 2.3 million)).

Other information 2018

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	12 605	4 505	16 144	6 588	681	**40 523**	(8 890)	**31 633**
Impairment losses recognised in profit and loss	4 814	(430)	1 400	0	0	**5 784**	35	**5 819**
EBITDA	32 981	2 004	30 458	44 711	(16 801)	**93 353**	(12 954)	**80 399**
Capital expenditure/additions	16 412	3 363	13 636	16 951	2 009	**52 371**	(7 384)	**44 987**

Impairments

In 2018, impairment charges amounted to EUR -5.8 million and relate to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

The breakdown of the goodwill per business line per 31 December 2018

in thousand EUR

Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	482	(482)	0
Continental	1 061	0	1 061
Scandinavia	5 403	0	5 403
United Kingdom	3 044	0	3 044
Total Flexible Foams	**9 990**	**(482)**	**9 508**
Total Bedding	**11 319**	**0**	**11 319**
Continental	1 619	0	1 619
United Kingdom	908	0	908
Total Insulation	**2 527**	**0**	**2 527**
Total goodwill	**23 836**	**(482)**	**23 354**

Adjustments to EBIT (on a combined basis) per segment

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	COMBINED TOTAL
2019						
Impairments	(63)	(287)	(1 425)	(46)	0	(1 821)
Gains/(loss) on disposals	399	48	5 457	0	0	5 904
Restructuring charges and provisions	(4 701)	(939)	(2 833)	(142)	(2 600)	(11 215)
Other	(493)	32	103	0	(3 424)	(3 782)
TOTAL	**(4 858)**	**(1 146)**	**1 302**	**(188)**	**(6 024)**	**(10 914)**
2018						
Impairments	(4 814)	430	(1 400)	0	0	(5 784)
Net impact (excluding impairment) of fire incident in Interiors plant in Most (Czech Republic)	0	0	5 639	0	0	5 639
Restructuring charges	(4 339)	(4 851)	(473)	0	(441)	(10 104)
Other	(4 161)	13	(649)	0	(1 180)	(5 977)
TOTAL	**(13 314)**	**(4 408)**	**3 117**	**0**	**(1 621)**	**(16 226)**

For 2019

- Impairment charges amounted to EUR -1.8 million and relate to (i) idle tangible assets in Bedding following the closure of the Hassfurt (Germany) plant (EUR -0.3 million) and (ii) assets in Automotive Interiors in Germany (EUR -0.8 million) and China (EUR -0.7 million).
- Gain on disposals: On 19 February 2019, Recticel announced the closing of the transactions as a result of which Sekisui Plastics Co., Ltd. acquired 75% in Proseat. Recticel maintains a 25% participation in Proseat with the option to sell this remaining participation within three years if Sekisui exercises its call option during this period, or after three years when Recticel exercises its put option. The transaction results in a net gain of EUR 2.1 million, recognised in other operating revenues in the consolidated income statement. The put and call options have been recognised as derivative financial instruments at fair value with changes in fair value to be recognised in profit or loss (other operating revenues/expenses). The value of both options have been calculated using the Black & Sholes option price formula, with the following key assumptions : (i) spot price equal to the estimated enterprise value, (ii) automotive parts' sector volatility, (iii) maturity based on terms and conditions set out in the initial share purchase agreement, (iv) a risk-free interest rate of -0.6% and (iv) a dividend yield of 0%. At closing December 2019, the derivative financial instruments amounted to 3.8 million (see line Other).
- Restructuring charges (EUR -11.2 million) refer to additional restructuring measures in execution of the Group's rationalisation plan, including (i) restructuring costs in Flexible Foams following the closure of the Troisdorf plant (Eurofoam Germany), (ii) rationalisation measures in Automotive Interiors (Germany) and (iii) further streamlining in corporate and central services.
- The 'other' adjustments to EBIT (EUR -3.8 million) relate mainly to costs and fees for legacy remediation and litigations, and costs linked to the contingency plan following the fire incident in the plant in Wetteren (Belgium).

For 2018

- Impairment charges amounted to EUR -5.8 million and relate to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).
- The net impact of the fire incident in Most comprises additional insurance indemnities received following last year's fire incident in Most (Czech Republic).
- Restructuring measures (EUR -10 million) in execution of the Group's rationalisation plan, include: (i) further restructuring costs in Flexible Foams for the closure of Catarroja (Spain) and Buren (The Netherlands) plants, (ii) in Bedding mainly anticipated costs of the announced closure of the Hassfurt (Germany) plant, and (iii) some additional rationalisation efforts in Automotive.
- The 'other' adjustments to EBIT (EUR -6.0 million) relate to costs and fees for legacy remediation and litigations.

2.4.2.3.2. Geographical information of revenues

The Group's operations are mainly located in the European Union.

Sales (by destination)

The following tables provides an analysis of the Group's sales and fixed assets by geographical market.

in thousand EUR

Group Recticel	2019	2018
Belgium	123 950	134 531
France	146 606	148 018
Germany	166 469	181 119
United Kingdom	133 976	157 132
Other EU countries	294 607	318 347
European Union	**865 607**	**939 148**
Other	172 910	178 504
TOTAL	**1 038 517**	**1 117 652**

Reliance on major customers

The Group has no major customers that represent more than 10% of total sales. The top-10 customers of the Group represent 25.9% (2018: 27.5%) of total consolidated sales.

Intangible assets – Property, plant & equipment – Right-of-use assets – Investment property

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018	ACQUISITIONS, INCLUDING OWN PRODUCTION 2019	ACQUISITIONS, INCLUDING OWN PRODUCTION 2018
Belgium	83 741	74 234	13 994	6 435
France	38 028	38 030	2 032	4 192
Germany	15 960	12 287	2 557	2 121
United Kingdom	47 638	9 006	23 903	1 349
Other EU countries	112 545	79 113	11 343	23 618
European Union	**297 912**	**212 670**	**53 829**	**37 714**
Other	52 450	35 206	4 865	7 272
TOTAL	**350 362**	**247 875**	**58 694**	**44 987**

Following the exercise of its purchase option, the Group acquired in 2019 for an amount of GBP 18.4 million the Insulation plant in Stoke-on-Trent (United Kingdom), which was previously leased by the Group.

The figures in the table above comprise for 2019 the right-of-use assets. The figures for 2018 have not been restated; hence they do not include right-of-use assets.

2.4.2.4. Income statement

2.4.2.4.1. Gross profit

On a like-for-like basis, the gross profit decreased by 6.1% from 201.6 million to EUR 189.4 million before impact of IFRS 16, EUR 191.1 million after impact of IFRS 16. The lower gross profit is primarily explained by lower sales as a combination of overall selling price erosion as a consequence of falling chemical raw material prices, and lower volumes in most segments.

2.4.2.4.2. General and administrative expenses - Sales and marketing expenses – Research and development expenses

On a like-for-like basis, general and administrative expenses increased by EUR 3.2 million to EUR 73.7 million, EUR 73.6 million after impact of IFRS 16 (cfr 2.4.2.4.1. – Gross profit). This increase is mainly explained by salary inflation, higher insurance costs and external services.

On a like-for-like basis, sales and marketing expenses slightly increased from EUR 72.6 million to EUR 72.7 million, EUR 72.9 million after impact of IFRS 16.

On a like-for-like basis, research and development expenses slightly increased from EUR 11.0 million to EUR 11.6 million.

2.4.2.4.3. Other operating revenues and expenses

in thousand EUR

Group Recticel	2019	2018
Other operating revenues	20 274	17 900
Other operating expenses	(23 730)	(26 730)
TOTAL	**(3 456)**	**(8 830)**
Restructuring charges (including site closure, onerous contracts and clean-up costs)	(11 215)	(10 104)
Gain (Loss) on disposal of intangible, tangible and right-of-use assets	2 510	671
Gain (Loss) on investment operations	2 169	0
Amounts written-back/(-off) on affiliates investments and loss on receivables	557	(0)
IAS 19 Pensions and other obligations	(2 099)	(1 953)
IAS 19 Operating expenses	280	124
Provisions	157	(3 628)
Insurances	(2 195)	(1 522)
Fees consultancy and subcontractors	(4 875)	(3 209)
Other expenses	(475)	(6 110)
Fair value measurement options Proseat	3 762	0
Reinvoiced expenses	51	1 012
Insurances commission (Recticel RE)	3 947	2 484
Received compensations	2 017	2 217
Other revenues	1 953	11 189
TOTAL	**(3 456)**	**(8 830)**

Restructuring

During **2019**, restructuring charges (EUR -11.2 million) refer to additional restructuring measures in execution of the Group's rationalisation plan, including (i) restructuring costs in Flexible Foams following the closure of the Troisdorf plant (Eurofoam Germany), (ii) rationalisation measures in Automotive Interiors (Germany) and (iii) further streamlining in corporate and central services.

During **2018**, restructuring charges are mainly related to (i) further restructuring costs in Flexible Foams for the closure of Catarroja (Spain) and Buren (The Netherlands) plants, (ii) in Bedding mainly anticipated costs for the announced closure of the Hassfurt (Germany) plant, and (iii) some additional rationalisation efforts in Automotive.

Gain (loss) on disposal of tangible and intangible assets

In **2019**, this item relates mainly to land and building in Belgium (EUR 0.7 million) and Germany (EUR 0.5 million) and idle assets in Spain (EUR 0.4 million).

In **2018**, this item relates mainly to the gain on disposal of equipment of Automotive in Belgium and China (EUR 0.3 million) and in Flexible Foams in The Netherlands (EUR 0.4 million).

Gain (loss) on investment operations

In **2019**, this item relates mainly to divestment of Proseat.

2.4.2.4.4. Earnings before interest and taxes (EBIT)

The components (by nature) of EBIT are as follows:

Group Recticel	2019	2018
Sales	1 038 517	1 117 652
Purchases and changes in inventories	(490 114)	(549 563)
Other goods and services	(188 885)	(216 832)
Labour costs	(300 079)	(291 647)
Amortisation and depreciation on non-current assets	(54 403)	(29 997)
Impairments on non-current assets	(1 821)	(5 819)
Amounts written back/(off) on affiliated investments	557	(0)
Amounts written back/(off) on inventories	(492)	(152)
Amounts written back/(off) on receivables	(573)	(2)
Amortisation of deferred long term and upfront payment	(1 849)	(1 637)
Provisions	(2 096)	(9 428)
Gain/(Loss) on disposal intangible and tangible assets	2 510	671
Gain/(Loss) on disposal on investments	2 169	0
Gain/(Loss) on trade receivables	(15)	(171)
Operating taxes	(6 012)	(6 301)
Other operating expenses	(4 148)	(14 829)
Own production	3 706	4 908
Operating subsidies	2 096	4 373
Commissions and royalty income	272	246
Operating lease income	1 953	2 168
Reinvoicing of expenses	9 641	7 607
Insurance premiums (Recticel RE)	3 947	2 484
Indemnities	137	8 837
Received compensations	2 108	2 217
Service fees	328	623
Fair value measurement of options Proseat	3 762	0
Other operating income	6 661	7 368
Income from associates & joint ventures	9 271	10 170
EBIT	**37 148**	**42 947**

Sales: All segments reported lower sales mainly as a result of (i) price erosion due to lower raw material costs, (ii) soft demand in most market leading to lower volumes and (iii) intense competition in some markets. More details per segment can be found in the comments on the combined figures in the Report of the Board of Directors.

Purchases and changes in inventories decreased as a result of lower chemical raw materials prices and lower volumes.

Other goods and services comprise transportation costs (EUR 55.2 million versus EUR 52.7 million in 2018), operating lease expenses (EUR 5.3 million versus EUR 29.3 million in 2018), supplies (EUR 23.5 million versus EUR 23.8 million in 2018), fees (EUR 17.5 million versus EUR 16.2 million in 2018), repair and maintenance costs (EUR 14.2 million versus EUR 16.5 million in 2018), advertising/fairs/exhibition costs (EUR 12.6 million versus EUR 15.7 million in 2018), travel expenses (EUR 9.1 million versus EUR 8.7 million in 2018), administrative expenses (EUR 8.2 million versus EUR 9.1 million in 2018), insurance expenses (EUR 7.9 million versus EUR 5.3 million in 2018), waste removal and environmental expenses (EUR 5.0 million versus EUR 4.8 million in 2018), security expenses (EUR 2.0 million versus EUR 1.9 million in 2018).

Labour costs slightly increased mainly due to salary inflation and the opening of the new Insulation plant in Finland.

The slightly lower **income from joint ventures & associates** is mainly explained by the lower contribution of the Eurofoam group, which was impacted by closure costs of the Troisdorf plant (Germany).

2.4.2.4.5. Financial result

in thousand EUR

Group Recticel	2019	2018
Interest charges on bonds & notes	0	(19)
Interest on lease liabilities	(4 501)	(296)
Interest on long-term bank loans	(1 110)	(759)
Interest on short-term bank loans & overdraft	(1 451)	(2 097)
Net interest charges on Interest Rate Swaps and Foreign Currency Swaps	(27)	(645)
Total borrowing cost	**(7 089)**	**(3 816)**
Interest income from bank deposits	81	72
Interest income from financial receivables	248	586
Interest income from financial receivables and cash	**329**	**658**
Interest charges on other debts	(203)	(95)
Total other interest	**(203)**	**(95)**
Interest income and expenses	**(6 963)**	**(3 253)**
Exchange rate differences	**(368)**	**71**
Net interest cost IAS 19	(806)	(759)
Other financial result	**(90)**	**56**
Total other financial result	**(1 264)**	**(632)**
FINANCIAL RESULT	**(8 227)**	**(3 886)**

The higher borrowing cost results mainly from the application of IFRS 16 Leases (EUR 4.2 million in 2019).

2.4.2.4.6. Income taxes

IFRIC 23 clarifies the accounting for uncertainties in income taxes; i.e. the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

1. Income tax charges

in thousand EUR

Group Recticel	2019	2018
Recognised in the income statement		
Current income tax:		
Current year	(6 588)	(7 788)
Adjustments in respect of prior year [1]	(64)	4 534
Total current tax	**(6 652)**	**(3 254)**
Deferred taxes:		
Origination and reversal of temporary differences	851	(813)
Use of tax losses previously recognised as deferred tax assets [2]	(1 786)	(3 936)
Use of tax losses due to the new tax reform in Belgium (2018) and derecognition in Germany (2019)	(3 045)	(2 241)
Effect of changes in tax rates on deferred taxes	539	32
Deferred tax on current year's losses [3]	5 890	0
Total deferred tax	**2 449**	**(6 958)**
Grand total	**(4 203)**	**(10 212)**

[1] 2018: mainly relating to tax refunds to be received in Germany.
[2] The utilization of previous years' tax losses (EUR -1.8 million against EUR -3.9 million in 2018) is mainly explained by the Czech Republic (EUR -0.3 million), France (EUR -0.9 million) and Belgium (EUR -0.6 million).
[3] Deferred tax on current year's losses of EUR 5.9 million is mainly explained by the recognition of deferred tax assets in Belgium, France and Spain.

in thousand EUR

Group Recticel	2019	2018
Reconciliation of effective tax rate		
Profit / (loss) before taxes	28 921	39 061
Minus income from associates	(9 272)	(10 170)
Result before tax and income from associates	**19 650**	**28 891**
Tax at domestic income tax rate	**(5 812)**	**(8 546)**
Domestic tax rate	**29,58%**	**29,58%**
Tax effect of non-deductible expenses	(10 530)	(5 823)
Tax effect of non-taxable income	9 962	4 919
Use of tax losses previously recognised as deferred tax assets due to the new tax reform in Belgium (2018) and derecognition in Germany (2019)	(3 045)	(2 241)
Tax effect of current and deferred tax adjustments related to prior years	2 743	(1 060)
Tax effect of tax losses carried forward	0	1 141
Effect of different tax rates of subsidiaries operating in different jurisdictions	1 722	2 237
Effect of changes in tax rates on deferred taxes	539	32
Other	219	(685)
Tax expense for the year	**(4 203)**	**(10 026)**

in thousand EUR

Group Recticel	2019	2018
Deferred tax income (charge) recognised directly in equity		
Change in accounting policy (IFRS 15)	0	1 247
Impact of IAS 19R on equity	746	(619)
Impact of movements in exchange rates	81	19
Total	**827**	**647**

2. Deferred tax assets and liabilities

in thousand EUR

Group Recticel	31 DEC 2019		31 DEC 2018	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Recognised deferred tax assets and liabilities				
Intangible assets	9 738	(844)	10 036	(824)
Property, plant & equipment	24 822	(17 105)	21 715	(15 982)
Investments	0	(1 260)	0	(1 213)
Inventories	631	(1 379)	952	(1 338)
Receivables	1 411	(987)	1 263	(998)
Fair value of trading and economic hedge	3	0	0	0
Other current assets	442	(104)	2 640	0
Pension provisions	12 660	0	12 920	0
Other provisions	6 102	(6 452)	4 663	(6 262)
Lease liabilities	19 448	(19 448)	0	0
Other liabilities	1 697	(2 466)	1 553	(2 293)
Tax loss carry-forwards/ Tax credits	161 505	0	159 886	0
Total	**238 459**	**(50 045)**	**215 628**	**(28 910)**
Valuation allowance [1]	(174 328)	0	(175 900)	0
Set-off [2]	(40 022)	40 022	(19 260)	19 260
Total (as provided in the statement of financial position)	**24 108**	**(10 023)**	**20 468**	**(9 650)**

[1] The variance of EUR +1.6 million (EUR 174.3 million versus EUR 175.9 million) is mainly explained by a valuation allowance of EUR +2.1 million, by an effect on tax rate changes of EUR +6.2 million, by an effect on equity of EUR -0.3 million related to equity impact of pensions, the effect of exchange rate differences of EUR -1.2 million, and an effect on changes in scope (Proseat n.v.) of EUR -5.2 million.
[2] According to IAS 12 (Income Taxes), deferred tax assets and deferred tax liabilities should, under certain conditions, be offset if they relate to income taxes levied by the same taxation authority.

Tax loss carry-forwards – amounts by expiration date:

in thousand EUR

Group Recticel	2019	2018
One year	1 875	1 563
Two years	1 836	4 751
Three years	8 744	69 882
Four years	9 738	6 612
Five years and thereafter	137 633	129 763
Without time limit	374 304	350 389
Total	**534 130**	**562 960**

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2019:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	VALUATION ALLOWANCES
Tax losses carried forward (*)	161 505	27 236	134 269
Property, plant and equipment	24 822	3 241	21 581
Pension provisions	12 660	6 141	6 519
Other provisions	6 102	1 590	4 512
Lease liabilities	19 448	19 448	0
Other temporary differences	13 922	6 475	7 447
Total before set-off	**238 459**	**64 131**	**174 328**

(*) As of 31/12/2019, deferred tax assets of EUR 24.1 million (2018: EUR 20.5 million) are recognized out of EUR 534.1 million (2018: EUR 563.0 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2018:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	VALUATION ALLOWANCES
Tax losses carried forward (*)	159 886	23 752	136 134
Property, plant and equipment	21 715	2 430	19 285
Pension provisions	12 922	5 227	7 695
Other provisions	4 663	939	3 724
Other temporary differences	16 442	7 380	9 062
Total before set-off	**215 628**	**39 728**	**175 900**

(*) As of 31/12/2018, deferred tax assets of EUR 20.5 million are recognized out of EUR 563.0 million (2017: EUR 592.4 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

2.4.2.4.7. Dividends

Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2018 of EUR 0.24 per share.

Proposed dividend for the period ending 31 December 2019 of EUR 0.24 per share, or in total for all shares outstanding EUR 13,295,385 (2018: EUR 13,254,483), including the portion attributable to the treasury shares (326,800 in total per 31 December 2019).

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

2.4.2.4.8. Basic earnings per share

From continuing and discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

Group Recticel	2019	2018
"Net profit (loss) for the period (share of the Group) (in thousand EUR)"	**24 762**	**28 849**
Net profit (loss) from continuing operations	24 762	28 849
Net profit (loss) from discontinuing operations	0	0
Weighted average shares outstanding		
Ordinary shares on 01 January (excluding treasury shares*)	54 900 212	54 449 557
Exercised subscription rights	170 427	450 655
Ordinary shares on 31 December (excluding treasury shares*)	55 070 639	54 900 212
Weighted average shares outstanding	**54 959 861**	**54 659 774**
* Number of treasury shares held per 31 December	326 800	326 800

in EUR

Group Recticel	2019	2018
Basic earnings per share	0.45	0.53
Basic earnings per share from continuing operations	0.45	0.53
Basic earnings per share from discontinuing operations	0.00	0.00

2.4.2.4.9. Diluted earnings per share

Computation of the diluted earnings per share :

in thousand EUR

Group Recticel	2019	2018
Dilutive elements		
Net profit (loss) from continuing operations	24 762	28 849
Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions	**24 762**	**28 849**
Weighted average ordinary shares outstanding	**54 959 861**	**54 659 774**
Stock option plans - subscription rights (1)	194 640	433 521
Weighted average shares for diluted earnings per share	**55 154 501**	**55 093 295**

Group Recticel	2019	2018
Diluted earnings per share	**0.45**	**0.52**
Diluted earnings per share from continuing operations	0.45	0.52
Diluted earnings per share from discontinuing operations	0.00	0.00

	2019	2018
Anti-dilutive elements		
Impact on weighted average ordinary shares outstanding		
Stock option plan - subscription rights - "out-of-the-money" (1)	171 022	57 256

(1) Per 31 December 2019, all outstanding subscription rights plans as from April 2014 are in-the-money, except the plan of April 2018 and June 2019 which were out-of-the-money. The outstanding subscription rights plans which are out-of-the-money are disclosed as anti-dilutive.

2.4.2.5. Statement of financial position

2.4.2.5.1. Intangible assets

For the year ending 31 December 2019:

in thousand EUR

Group Recticel	Development costs	Trademarks, patents & licences	Client portfolio goodwill	Other intangible assets	Assets under construction and advance payments	Total	
At the end of the preceding period							
Gross book value	14 820	50 802	9 568	262	6 693	82 145	
Accumulated amortisation	(13 853)	(38 271)	(9 568)	(250)	(252)	(62 194)	
Accumulated impairment	(47)	(6 328)	0	0	(1 531)	(7 906)	
Net book value at the end of the preceding period	**920**	**6 203**	**0**	**12**	**4 910**	**12 045**	
Movements during the year:							
Acquisitions	0	238	0	43	4 299	4 580	(1)
Impairments	(14)	(57)	0	0	(287)	(358)	
Amortisation	(529)	(2 054)	(48)	(11)	(25)	(2 667)	
Sales and scrapped - gross amount	(2 649)	(634)	(4 881)	(27)	(161)	(8 352)	(2)
Sales and scrapped - Accumulated amortization & impairments	2 649	634	4 881	27	161	8 352	(2)
Transfers from one heading to another	67	2 046	0	1	(2 383)	(269)	
Change in scope	0	0	951	0	0	952	
Exchange rate differences	2	20	0	0	0	22	
At the end of the current period	**446**	**6 395**	**903**	**45**	**6 516**	**14 306**	
Gross book value	12 356	52 693	5 745	279	8 450	79 523	
Accumulated amortisation	(11 905)	(39 928)	(4 842)	(234)	(253)	(57 162)	
Accumulated impairment	(5)	(6 370)	0	0	(1 681)	(8 056)	
Net book value at the end of the period	**447**	**6 395**	**903**	**45**	**6 516**	**14 306**	
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.		

Acquisitions		**Disposals**	
Cash-out on acquisitions of intangible assets	(4 502)	Cash-in from disposals of intangible assets	1
Acquisitions included in working capital	(77)	Disposals included in working capital	(1)
(1) Total acquisitions of intangible assets	**(4 580)**	**(2) Total disposals of intangible assets**	**0**

Reference is also made to note 2.4.2.1.4. - Key judgments and major sources of estimation uncertainty.

In **2019**, the total acquisition of intangible assets amounted to EUR 4.6 million, compared to EUR 2.6 million the year before. The investments in intangible assets in 2019 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 2.1 million) and capitalised development costs for Automotive Interiors projects (EUR 0.3 million).

For the year ending 31 December 2018:

in thousand EUR

Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL
At the end of the preceding period						
Gross book value	14 411	48 720	9 574	260	6 716	79 682
Accumulated amortisation	(12 920)	(36 544)	(9 574)	(241)	(249)	(59 528)
Accumulated impairment	0	(6 300)	0	0	(1 531)	(7 831)
Net book value at the end of the preceding period	**1 491**	**5 876**	**0**	**19**	**4 936**	**12 323**
Movements during the year:						
Acquisitions, including own production	0	139	0	(2)	2 450	2 586 [1]
Impairments	0	0	0	0	0	0
Expensed amortisation	(716)	(1 904)	(0)	(9)	(0)	(2 629)
Sales and scrapped	0	0	0	19	(0)	19 [2]
Transfers from one heading to another	149	2 124	0	(16)	(2 474)	(217)
Exchange rate differences	(4)	(32)	0	(0)	(0)	(37)
At the end of the current period	**920**	**6 203**	**0**	**12**	**4 910**	**12 045**
Gross book value	14 820	50 802	9 568	262	6 693	82 145
Accumulated amortisation	(13 853)	(38 271)	(9 568)	(250)	(252)	(62 194)
Accumulated impairment	(47)	(6 328)	0	0	(1 531)	(7 906)
Net book value at the end of the period	**920**	**6 203**	**0**	**12**	**4 910**	**12 045**
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.	

Acquisitions		Disposals	
Cash-out on acquisitions of intangible assets	(3 205)	Cash-in from disposals of intangible assets	110
Acquisitions included in working capital	619	Disposals included in working capital	(91)
(1) Total acquisitions of intangible assets	**(2 586)**	**(2) Total disposals of intangible assets**	**19**

In **2018**, the total acquisition of intangible assets amounted to EUR 2.6 million, compared to EUR 3.2 million the year before. The investments in intangible assets in 2018 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 2.3 million) and capitalised development costs for Automotive Interiors projects (EUR 0.3 million).

2.4.2.5.2. Property, plant & equipment

For the year ending 31 December 2019:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
At the end of the preceding period							
Gross value	187 887	526 968	25 945	44 698	1 112	15 315	801 925
Accumulated depreciation	(117 837)	(394 780)	(21 749)	(17 303)	(1 043)	(238)	(552 950)
Accumulated impairments	(3 964)	(12 350)	(21)	(76)	0	(22)	(16 433)
Net book value at the end of the preceding period	**66 086**	**119 838**	**4 175**	**27 319**	**69**	**15 055**	**232 542**
Movements during the year							
Change in accounting policies	0	0	0	(27 319)	0	0	(27 319) [1]
Acquisitions	22 679	2 354	465	0	5	23 587	49 090
Impairments	(63)	(1 390)	(10)	0	0	0	(1 463)
Depreciation	(4 197)	(22 905)	(1 942)	0	(17)	(45)	(29 107) [2]
Sales and scrapped	0	(59)	(5)	0	0	(3)	(66)
Transfers from one heading to another	3 511	9 452	3 356	0	39	(16 132)	227
Change in scope	1 483	444	18	0	0	0	1 946
Exchange rate differences	783	879	25	0	(1)	81	1 767
At the end of the period	**90 282**	**108 613**	**6 083**	**0**	**96**	**22 543**	**227 617**
Gross value	218 664	522 391	29 411	0	1 106	22 806	794 378
Accumulated depreciation	(124 477)	(401 925)	(23 309)	0	(1 010)	(241)	(550 962)
Accumulated impairments	(3 905)	(11 854)	(19)	0	0	(22)	(15 800)
Net book value at the end of the period	**90 282**	**108 613**	**6 082**	**0**	**97**	**22 543**	**227 617**

Acquisitions		Disposals	
Cash-out on acquisitions of tangible assets	(50 489)	Cash-in from disposals of tangible assets	1 907
Acquisitions included in working capital	1 399	Disposals included in working capital	(1 841)
(1) Total acquisitions of tangible assets	**(49 090)**	**(2) Total disposals of tangible assets**	**66**

The change in accounting policy is linked to a reclassification to item 'Right-of-use assets', by application of IFRS 16.
Reference is also made to note 2.4.2.1.4. - Key judgments and major sources of estimation uncertainty.

In **2019**, total acquisitions of tangible assets amounted to EUR 49.1 million, compared to EUR 42.4 million last year. The increase is mainly explained by the acquisition of the Insulation plant in Stoke-on-Trent (United Kingdom), following the exercise of a purchase option. Assets under construction mainly relate to Belgium (EUR 7.5 million), Bedding in Germany (EUR 1.4 million), Automotive Interiors in Czech Republic and USA (EUR 5.2 million) and Flexible Foams in France (EUR 1.6 million) and The Netherlands (EUR 5.2 million).

At 31 December **2019**, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 4.3 million (2018: EUR 10.5 million).

In **2019**, impairment losses recognised in profit and loss are mainly related to assets in Automotive Interiors in Germany (EUR -0.7 million) and China (EUR -0.7 million).

In **2019**, change in scope relates to the increased participation in Turvac (Insulation).

For the year ending 31 December 2018:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL	
At the end of the preceding period								
Gross value	174 573	509 343	25 562	44 751	1 146	23 248	778 622	
Accumulated depreciation	(117 173)	(381 437)	(21 422)	(16 410)	(1 060)	(240)	(537 741)	
Accumulated impairments	(1 258)	(12 741)	(2)	(76)	0	(21)	(14 098)	
Net book value at the end of the preceding period	**56 142**	**115 165**	**4 139**	**28 265**	**86**	**22 987**	**226 783**	
Movements during the year								
Acquisitions, including own production	665	2 212	484	0	10	39 030	42 400	(1)
Impairments	(2 705)	(2 061)	(10)	0	0	0	(4 777)	
Expensed depreciation	(3 628)	(21 037)	(1 758)	(925)	(21)	0	(27 368)	
Sales and scrapped	0	(162)	(1)	(29)	0	(279)	(471)	(2)
Transfers from one heading to another	19 422	26 194	1 334	8	(3)	(46 772)	182	
Exchange rate differences	(49)	(473)	(13)	(0)	(3)	90	(448)	
Reclassification to assets held for sale	(3 761)	0	0	0	0	0	(3 761)	
At the end of the period	**66 086**	**119 838**	**4 174**	**27 319**	**70**	**15 055**	**232 541**	
Gross value	187 887	526 968	25 945	44 698	1 112	15 315	801 925	
Accumulated depreciation	(117 837)	(394 780)	(21 749)	(17 303)	(1 043)	(238)	(552 951)	
Accumulated impairments	(3 964)	(12 350)	(21)	(76)	0	(22)	(16 432)	
Net book value at the end of the period	**66 086**	**119 838**	**4 174**	**27 319**	**70**	**15 055**	**232 541**	

Acquisitions		**Disposals**	
Cash-out on acquisitions of tangible assets	(45 873)	Cash-in from disposals of tangible assets	453
Acquisitions included in working capital	3 473	Disposals included in working capital	19
(1) Total acquisitions of tangible assets	**(42 400)**	**(2) Total disposals of tangible assets**	**471**

In **2018**, impairment losses recognised in profit and loss are mainly related to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).

In **2018**, 'Sales and scrapped' reflects (i) the sale and lease-back of an Insulation building in Belgium (EUR -8.8 million), (ii) the write-off of destroyed assets following the fire in the Interiors plant Most (EUR -3.3 million) and (iii) the sale of equipment in Interiors China (EUR -2.4 million).

In **2018**, 'reclassification to assets held for sale' (EUR 3.8 million) relates to two buildings; one in Espelkamp (Germany), which is rented to the Automotive joint venture Proseat, and one in Hassfurt (Germany) (Bedding).

2.4.2.5.3. Right-of-use assets

For the year ending 31 December 2019:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	TOTAL
At the end of the preceding period				
Gross value	0	0	0	0
Accumulated depreciation	0	0	0	0
Accumulated impairments	0	0	0	0
Net book value at the end of the preceding period	**0**	**0**	**0**	**0**
Movements during the year				
Changes in accounting policies - IFRS 16	87 120	18 904	11 496	117 520
Transfers from Property, plant and equipment	27 308	11	0	27 319
Acquisitions	227	469	4 328	5 024
Lease reassessment	(23 439)	(1 002)	625	(23 816)
Depreciation	(11 843)	(5 155)	(5 671)	(22 669)
Exchange rate differences	1 501	162	68	1 732
At the end of the period	**80 874**	**13 389**	**10 846**	**105 110**
Gross value	107 173	19 041	16 545	142 759
Accumulated depreciation	(25 935)	(5 606)	(5 698)	(37 239)
Accumulated impairments	(364)	(46)	0	(410)
Net book value at the end of the period	**80 874**	**13 389**	**10 846**	**105 110**
Contractual tenor (in years)	6 - 12	3 - 12	4	

The line 'Lease reassessment' is mainly linked to the acquisition of the Insulation plant in Stoke-on-Trent (United Kingdom).

The weighted average underlying incremental borrowing rate of right-of-use asset agreements per 31 December 2019 was 3.2%.

Besides the Group benefits from other operating lease arrangements which are not recognised in the balance sheet, following the exception rule under IFRS 16.

The below table comprises the recognised operating lease charge during the financial period.

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Low value operating leases	367	not restated
Short term operating leases	2 224	not restated
Services under operating leases	1 240	not restated
Other considerations	1 512	not restated
Total operating leases	**5 342**	**not restated**

At 31 December **2019**, the Group had entered into contractual commitments for the acquisition of right-of-use assets amounting to EUR 6.2 million.

2.4.2.5.4. Subsidiaries, joint ventures and associates

Unless otherwise indicated, the percentage shareholdings shown below are identical to the percentage voting rights.

1. SUBSIDIARIES CONSOLIDATED ACCORDING TO THE FULL CONSOLIDATION METHOD

% shareholding in

		31 DEC 2019	31 DEC 2018
Austria			
Sembella GmbH	Aderstrasse 35 - 4850 Timelkam	100.00	100.00
Belgium			
s.c. sous forme de s.a. Balim b.v. onder vorm van n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Finapal n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel International Services n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel UREPP Belgium n.v.	Damstraat 2 - 9230 Wetteren	100.00	100.00
s.a. Proseat n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	(b)
China			
Ningbo Recticel Automotive Parts Co. Ltd.	525, Changxing Road, (C Area of Pioneer Park) Jiangbei District, Ningbo Municipality	100.00	100.00
Recticel Foams (Shanghai) Co Ltd	525, Kang Yi Road - Kangyiao Industrial Zone, 201315 Shanghai	100.00	100.00
Shenyang Recticel Automotive Parts Co Ltd	12, Hangtian Road - Dongling District, 110043 Shenyang City	100.00	100.00
Shenyang Recticel II Automotive Parts Co Ltd	70, Dawang Road - Dadong District, 11043 Shenyang City	100.00	100.00
Langfang Recticel Automotive Parts Co Ltd	10, Anjin Road - Anci Industrial Zone, 065000 Langfang City	100.00	100.00
Changchun Recticel Automotive Parts Co Ltd.	Intersection of C19 Rd. and C43 St. in Automotive industry Development Zone; 13000 Changchun, Jilin Province	100.00	100.00
Recticel Flexible Foam (Wuxi) Co Ltd	No 30, Wanquan Road; Xishan Economic and Technological Developement Zone, Wuxi City	100.00	100.00
Czech Republic			
RAI Most s.r.o.	Moskevska 3055 - Most	100.00	100.00
Recticel Czech Automotive s.r.o.	Chuderice-Osada 144 - 418,25 Bilina	100.00	100.00
Recticel Interiors CZ s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	100.00	100.00
Estonia			
Recticel ou	Pune Tee 22 - 12015 Tallin	100.00	100.00
Finland			
Recticel oy	Nevantie 2, 45100 Kouvola	100.00	100.00
Recticel Insulation oy	Gneissitie, 2 - 04600 Mäntsälä	100.00	100.00
France			
Recticel s.a.s.	71, avenue de Verdun - 77470 Trilport (since 1 March 2019)	100.00	100.00
Recticel Insulation s.a.s.	1, rue Ferdinand de Lesseps - 18000 Bourges	100.00	100.00
Germany			
Recticel Automobilsysteme GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Deutschland Beteiligungs GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Grundstücksverwaltung GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Dämmsysteme Gmbh (formerly Recticel Handel GmbH)	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Schlafkomfort GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Verwaltung GmbH & Co. KG	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Luxembourg			
Recticel RE s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
Recticel Luxembourg s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
India			
Recticel India Private Limited	407, Kapadia Chambers, 599 JSS Road, Princess Street, Marine Lines (East), 400002 Mumbai Maharashtra	100.00	100.00
Morroco			
Recticel Mousse Maghreb s.à.r.l.	31 Avenue Prince Héritier, Tanger	100.00	100.00
Recticel Maroc s.à.r.l.a.u.	Ilot K, Module 4, Atelier 2, Zone Franche d'Exportation de Tanger	100.00	100.00
The Netherlands			
Enipur Holding B.V.	Spoorstraat 69 - 4041 CL Kesteren	- (a)	100.00
Recticel B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel Holding Noord B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel International B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00

(a) Liquidated on 13 November 2019
(b) Previously accounted for using the equity method (51%)

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD (continued)

% shareholding in

		31 DEC 2018	31 DEC 2017
Norway			
Recticel AS	Øysand - 7224 Mehus	100.00	100.00
Poland			
Recticel Sp. z o.o.	Ul. Graniczna 60, 93-428 Lodz	100.00	100.00
Romania			
Recticel Bedding Romania s.r.l.	Miercurea Sibiului, DN1, FN, ground floor room 2 3933 Sibiu County	100.00	100.00
Slovenia			
Turvac d.o.o.	Primorska 6b, 3325 Šoštanj	74.00	50.00 (b)
Sweden			
Recticel AB	Södra Storgatan 50 b.p. 507 - 33228 Gislaved	100.00	100.00
Spain			
Recticel Iberica s.l.	Cl. Catalunya 13, Pol. Industrial Cam Ollersanta Perpetua de Mogoda 08130	100.00	100.00
Switzerland			
Recticel Bedding (Schweiz) AG	Bettenweg 12 Postfach 65 - 6233 Büron - Luzern	100.00	100.00
Turkey			
Recticel Teknik Sünger Izolasyon Sanayi ve Ticaret a.s.	Orta Mahalle, 30 - 34956 Istanbul	100.00	100.00
United Kingdom			
Gradient Insulations (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
United States of America			
Recticel North America Inc.	Metro North Technology Park - Atlantic Boulevard 1653 - MI 48326 Auburn Hills	100.00	100.00
The Soundcoat Company Inc.	Burt Drive 1 PO Box 25990 - NY 11729 Deer Park County of Suffolk	100.00	100.00

(a) Liquidated on 13 November 2019
(b) Previously accounted for using the equity method (51%)

Significant restrictions to realise assets or settle liabilities
Recticel s.a./n.v., or some of its subsidiaries have provided guarantees for (i) an aggregate amount of EUR 0.8 million in favour of OVAM regarding the sanitation and rehabilitation projects on some of its sites and/or sites of its subsidiaries, (ii) an aggregate amount of EUR 0.8 million in favour of the Walloon Département du Sol et des Déchets – DSD, and (iii) and aggregate amount of EUR 2.2 million in favour of various local public entities in France (Préfectures).

Recticel s.a./n.v. also provides guarantees and comfort letters (for a total amount of EUR 75.6 million) to and/or on behalf of various direct or indirect subsidiaries, of which the material (> EUR 1 million) ones are:

- on behalf of Recticel Iberica S.L.: EUR 1.75 million;
- on behalf of Recticel Bedding Romania s.r.l.: EUR 1.4 million;
- on behalf of Recticel Ltd.: EUR 17.8 million, of which an estimated EUR 6.4 million (GBP 5.5 million) for the pension fund;
- on behalf of Recticel Verwaltung GmbH: EUR 5.0 million;
- on behalf of Recticel Insulation s.a.s. in the framework of a real estate lease: EUR 13.0 million;
- on behalf of Recticel Teknik Sünger Izolasyon Sanayi ve Ticaret a.s.: EUR 2.7 million;
- on behalf of Recticel India Private Limited: EUR 3.0 million;
- on behalf of Sembella GmbH (Austria);
- on behalf of Recticel Bedding Schweiz AG: EUR 1.9 million;
- on behalf of Ningbo Recticel Automotive Parts Co. Ltd: EUR 9.3 million;
- on behalf of Recticel Insulation OY: EUR 14.6 million;
- on behalf of Recticel Flexible Foams (Wuxi) Co Ltd; and
- on behalf of Recticel International Services s.a./n.v.: EUR 3.0 million.

Moreover Recticel s.a./n.v. guarantees (i) Yanfeng Automotive Interiors group (formerly Johnson Controls) for the proper execution of the contracts under two programs of its subsidiary Recticel North America Inc and (ii) Daimler AG for Mercedes programs of the Interiors division.

Under the club deal conditions, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

The gross dividend over 2019 – to be paid in 2020 – proposed to the Annual General Meeting amounts to EUR 0.24 per share, leading to a total dividend pay-out of EUR 13.2 million (excluding treasury shares). This amounts exceeds the above-mentioned 50% maximum pay-out limit. A waiver has been obtained from the participating banks to authorise such higher payment.

2. JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

		% shareholding in 31 DEC 2019	31 DEC 2018
Austria			
Eurofoam GmbH	Greinerstrasse 70 - 4550 Kremsmünster	50.00	50.00
Belgium			
s.a. Proseat n.v.	Olympiadenlaan 2 - 1140 Evere	100.00 (c)	51.00
Bulgaria			
Eurofoam-BG o.o.d.	Raiko Aleksiev Street 40, block n° 215-3 Izgrev district, Sofia	50.00	50.00
Czech Republic			
Eurofoam Bohemia s.r.o.	Osada 144, Chuderice - 418 25 Bilina	50.00	50.00
Proseat Mlada Boleslav s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	- (d)	51.00
France			
Proseat s.a.s.	Avenue de Verdun, 71, 77470 Trilport	- (d)	51.00
Germany			
Eurofoam Deutschland GmbH Schaumstoffe	Hagenauer Strasse 42 – 65203 Wiesbaden	50.00	50.00
Proseat Gmbh & Co. KG	Hessenring 32 - 64546 Mörfelden-Walldorf	- (d)	51.00
Proseat Schwarzheide GmbH	Schipkauer Strasse 1 - 01987 Schwarzheide	- (d)	51.00
Proseat Verwaltung GmbH	Hessenring 32 - 64546 Mörfelden-Walldorf	- (d)	51.00
Hungary			
Eurofoam Hungary Kft.	Miskolc 16 - 3792 Sajobabony	50.00	50.00
Poland			
Eurofoam Polska Sp. z o.o.	ul Szczawinska 42 - 95-100 Zgierz	50.00	50.00
Proseat Spolka. z o.o.	ul Miedzyrzecka, 16 - 43-382, Bielsko-Biala	- (d)	51.00
Romania			
Eurofoam s.r.l.	Str. Garii nr. 13 Selimbar 2428 - O.P.8 C.P. 802 - Jud. Sibiu	50.00	50.00
Russian Federation			
Eurofoam Kaliningrad	Kaliningrad District, Guierwo Region , 238352 Uszakowo	50.00	50.00
Slovak Republic			
Poly	Dolné Rudiny 1 - SK-01001 Zilina	50.00	50.00
Serbia			
Eurofoam Sunder d.o.o.	Vojvodanska Str. 127 - 21242 Budisava	50.00	50.00
Slovenia			
Turvac d.o.o.	Primorska 6b, 3325 Šoštanj	74.00 (c)	50.00
Spain			
Proseat Foam Manufacturing SLU	Carretera Navarcles s/n, Poligono Industrial Santa Ana II - Santpedor (08251 Barcelona)	- (d)	51.00
United Kingdom			
Proseat LLP	Unit A, Stakehill Industrial Estate, Manchester, Lancashire	- (d)	51.00

(c) Transferred to subsidiaries consolidated according to the full consolidation method.
(d) Transferred to Proseat Europe GmbH on 18 February 2019

Apart of having the approval from the other joint venture partners to distribute dividends, there are no specific restrictions on the ability of joint ventures to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

Recticel s.a./n.v. also provides guarantees and comfort letters, for a total amount of EUR 13.6 million, to and/or on behalf of various direct or indirect joint ventures, of which the material (> EUR 1 million) ones are:

- on behalf of Eurofoam GmbH and subsidiaries: EUR 7.5 million;
- on behalf of Proseat GmbH & Co KG: EUR 3.6 million.

The Group has no legal nor contractual obligations to support net asset deficiencies of a joint venture for an amount higher than its stake of interest.

3. ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

		% shareholding in 31 DEC 2019	31 DEC 2018
Czech Republic			
B.P.P. spol s.r.o.	ul. Hájecká 11 – 61800 Brno	25.68	25.68
Eurofoam TP spol.s.r.o.	ul. Hájecká 11 – 61800 Brno	40.00	40.00
Sinfo	Souhradi 84 - 391 43 Mlada Vozice	25.50	25.50
Germany			
Proseat Europe GmbH	Hessenring 32 - 64546 Mörfelden-Walldorf	25.00	-
Italy			
Orsa Foam S.p.a.	Via A. Colombo, 60 21055 Gorla Minore (VA)	33.00	33.00
Lithuania			
UAB Litfoam	Radziunu Village, Alytus Region	- (e)	30.00
Poland			
Caria Sp. z o.o.	ul Jagiellonska 48 - 34 - 130 Kalwaria Zebrzydowska	25.50	25.50
PPHIU Kerko Sp. z o.o.	Nr. 366 - 36-073 Strazow	25.86	25.86
Ukraine			
Porolon Limited	Grodoocka 357 - 290040 - Lviv	47.50	47.50

(e) Liquidated

Apart of having the approval from the controlling shareholder(s) to distribute dividends, there are no specific restrictions on the ability of associates to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

Recticel s.a./n.v. also provides guarantees and comfort letters, on behalf of Proseat Europe GmbH: EUR 2.5 million.

4. NON-CONSOLIDATED ENTITIES

Some subsidiaries more than 50% controlled are not consolidated because they are (still) non-material. As soon as they have reached a sufficient size, however, they will be included in the scope of consolidation.

		% shareholding in 31 DEC 2019	31 DEC 2018
Czech Republic			
Matrace Sembella s.r.o.	Hrabinská 498/19 - 73701 Ceský Tesín	100.00	-
China			
Recticel Shanghai Ltd	No. 518, Fute North Road, Waigaoqiao Free Trade Zone - 200131 Shanghai	100.00	100.00
Japan			
Inorec Japan KK	Imaika-Cho 1-36, Anjo-Shi	50.00	50.00
Luxembourg			
Recfin S.A.	412F, route d'Esch, L-2086 Luxembourg	- (f)	100.00
Sweden			
Nordflex A.B.	Box 507 - 33200 Gislaved	- (g)	100.00

(f) Liquidated on 08 August 2019
(g) Merged with Recticel AB

2.4.2.5.5. Interests in joint ventures and associates

A list of the significant investments in joint ventures and associates is included in note 2.4.2.5.4.

in thousand EUR

Group Recticel	JOINT VENTURES	ASSOCIATES	31 DEC 2019		JOINT VENTURES	ASSOCIATES	31 DEC 2018	
At the end of the preceding period	**51 577**	**17 054**	**68 631**		**59 620**	**16 621**	**76 241**	
Movements during the year								
Capital increase	**0**	**0**	**0**		**2 040**	**0**	**2 040**	(5)
Remeasurement gains/losses on defined benefit plans	(823)	(10)	(834)	(2)	348	0	348	(1)
Income tax relating to components of other comprehensive income	(90)	0	(90)		93	0	93	
Other comprehensive income net of tax	**(913)**	**(10)**	**(923)**		**441**	**0**	**441**	(8)
Group's share in the result for the period	8 862	402	9 263	(3)	8 841	1 327	10 168	(3)
Translation differences	(91)	187	96		(754)	(44)	(798)	(2)
Comprehensive income for the period	**7 858**	**578**	**8 436**		**8 528**	**1 282**	**9 810**	
Dividends distributed	(5 808)	(1 732)	(7 540)	(4)	(4 783)	(858)	(5 640)	(4)
Result transfer	0	0	0		(952)	0	(952)	
Change in scope	(13 803)	9 742	(4 062)	(1)	11	(9)	2	
Reclassification to assets held for sale	0	0	0		(12 870)	0	(12 870)	(6)
Other	19	(19)	0		(18)	18	0	
At the end of the period	**39 843**	**25 623**	**65 465**		**51 577**	**17 055**	**68 631**	

(1) In **2019** this relates to (i) the acquisition of the 49% stake in the Proseat companies held by the former joint venture partner Woodbridge and the subsequent sale to Sekisui Plastics Co Ltd of 75% of Proseat – the remaining 25% now controlled through Proseat Europe GmbH and consolidated following the equity method -; (ii) the acquisition of 49% of Proseat NV (Belgium) and (iii) the acquisition of the additional 24% of the shares in Turvac (Insulation) – previously consolidated following the equity method and since 2019 following the full consolidation method.
(2) the actuarial profit relates to the impact of the lower discount rate under IAS19 pension liabilities
(3) In **2019** the item Group's share in the result of the period decreased compared to 2018 and results mainly from the lower result of Eurofoam, including restructuring costs for the closure of the plant in Troisdorf (Germany). One should also consider the dividends distributed during the period.
(4) Dividends distributed by the joint ventures relate primarily to the Eurofoam group and to a lesser extent Orsafoam.

(1) In **2018** the actuarial profit relates to the impact of the higher discount rate under IAS19 pension liabilities
(2) Exchange rate differences relates mainly to the appreciation of the PLN (Eurofoam Polska)
(3) The higher income from joint ventures & associates is attributable to the Flexible Foams joint venture Eurofoam. The result of Proseat was in line with 2017.
(4) In **2018** dividends distributed by the joint ventures relate solely to the Eurofoam group
(5) In **2018** the share capital of the Proseat group has been increased.
(6) In **2018**, 26% out of Recticel's 51% participation in the joint venture company Proseat (Automotive Seating) has been transferred to 'Assets held for sale'.

Pro forma key figures for the **joint ventures (on a 100% basis)**

in thousand EUR

Group Recticel	EUROFOAM		PROSEAT		TURVAC		TOTAL	
	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018
Aggregated figures (sum of individual company ledgers before eliminations)								
Non current assets	176 108	157 655	0	79 293	0	2 894	176 108	239 842
Cash and cash equivalents	*23 462*	*9 325*	*0*	*37 963*	*0*	*4*	*23 462*	*47 292*
Current assets	109 072	108 501	0	229 680	0	547	109 072	338 728
Total assets	**285 180**	**266 156**	**0**	**308 973**	**0**	**3 441**	**285 180**	**578 570**
Non-current interest-bearing borrowings	*(40 278)*	*(25 000)*	*0*	*(14 686)*	*0*	*0*	*(40 278)*	*(39 686)*
Non current liabilities	(57 416)	(40 597)	0	(47 905)	0	0	(57 416)	(88 502)
Current interest-bearing borrowings	*(19 948)*	*(18 154)*	*0*	*(166 232)*	*0*	*(396)*	*(19 948)*	*(184 782)*
Current liabilities	(66 850)	(73 102)	0	(215 979)	0	(575)	(66 850)	(289 656)
Total liabilities	**(124 266)**	**(113 699)**	**0**	**(263 884)**	**0**	**(575)**	**(124 266)**	**(378 158)**
Net equity	**160 914**	**152 457**	**0**	**45 089**	**0**	**2 866**	**160 914**	**200 412**
Net contribution at 100% in the combined figures of the Group								
Revenue	**386 941**	**418 717**	**0**	**293 293**	**0**	**984**	**386 941**	**712 994**
Amortization, Depreciation and Impairments	(10 631)	(9 987)	0	(6 318)	0	(168)	(10 631)	(16 472)
EBIT	23 970	25 468	0	407	0	(104)	23 970	25 772
Interest income	98	89	0	88	0	0	98	176
Interest expenses	(529)	(666)	0	(1 666)	0	(10)	(529)	(2 343)
Total income taxes	(5 387)	(3 094)	0	(1 451)	0	0	(5 387)	(4 545)
Profit or (loss) of the period	**18 054**	**21 708**	**0**	**(2 710)**	**0**	**(114)**	**18 054**	**18 884**

- The above figures are at 100% and are not comparable to the actual position and results of the joint venture companies on a stand-alone basis. Variances may arise due to differences in the accounting rules and scope of consolidation.
- Recticel s.a./n.v. has issued (i) a comfort letter for EUR 7.5 million on behalf of the joint venture company Eurofoam GmbH (Austria/Germany) to cover a local bank loan, (ii) a EUR 2.5 million guarantee on behalf of the joint venture Proseat Europe GmbH to cover a local bank loan, (iii) a EUR 1.1 million guarantee on behalf of the joint venture Proseat GmbH & Co KG to cover local lease agreements and (iv) a guarantee on behalf of the joint venture Proseat GmbH & Co KG to cover a EUR 2.5 million credit line.

in thousand EUR

Group Recticel	EUROFOAM (50%)		PROSEAT (51%)		TURVAC (50%)	
	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018
Net equity (Group share)	**80 457**	**76 229**	**0**	**22 997**	**0**	**1 433**
Goodwill	488	494	0	8 977	0	0
Intragroup eliminations	(7 130)	(7 109)	0	16 563	0	0
Investment in partnership/Debt as equity	0	0	0	15 276	0	0
Deferred taxes	(31)	892	0	(471)	0	0
IAS 19 assumptions	483	(507)	0	0	0	0
IFRS 16	22	0	0	0	0	0
Other	(1 206)	(301)	0	0	0	0
Investment in affiliates	(33 240)	(33 250)	0	(35 343)	0	0
Carrying amount of interests in joint ventures	**39 842**	**36 447**	**0**	**27 999**	**0**	**1 433**

Following the announcement on 19 December 2018 regarding the transaction with Sekisui Plastics Co Ltd (excluding Proseat n.v.), 26% of Recticel's investment in the joint venture Proseat (Automotive Seating) has been transferred in 2018 to Assets held for sale in the statement of financial position; the remaining 25% stake in Proseat continued to be reported under Interests in joint ventures and associates.

The following key figures for the **associates** are shown on a **100% basis:**

in thousand EUR

Group Recticel	PROSEAT AND OTHER ASSOCIATES 31 DEC 2019	OTHER ASSOCIATES 31 DEC 2018
Non current assets	133 692	39 815
Current assets	113 008	73 257
Total assets	**246 700**	**113 072**
Non current liabilities	(73 440)	(6 422)
Current liabilities	(85 153)	(61 305)
Total liabilities	**(158 593)**	**(67 727)**
Net equity	**88 107**	**45 345**
Revenues	**383 169**	**132 767**
Profit or (loss) of the period	**(630)**	**3 915**

The Group did not incur significant contingent liabilities for its interests in associates or joint ventures.

2.4.2.5.6. Other financial assets

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Financial investments	**580**	**791**
Loans to affiliates	9 450	4 078
Other loans	1 586	1 763
Non-current financial receivables	**11 036**	**5 841**
Cash advances and deposits	1 683	738
Other receivables	692	905
Tax credits for research and development	8 630	8 171
Non-current other receivables	**11 004**	**9 813**
Derivatives - Option valuation	3 762	0
Total	**26 382**	**16 446**

The item 'Loans to affiliates' relates mainly to a loan to Proseat Europe GmbH (EUR 8.5 million; 2018: EUR 4.1 million to Proseat s.r.o.). The item 'Other loans' relates to loans granted by Recticel SAS, France (EUR 1.6 million; 2018: EUR 1.7 million) to some of its employees.

Except for the loan to Proseat Europe GmbH which is contracted at a market-conform fixed rate, the carrying amounts of these non-current receivables approximate the fair value since the interest rate is a variable rate in line with market conditions.

The maximum exposure to credit risk equals to the carrying amounts of these assets as recognised on the statement of financial position.

There are no due but unpaid receivables, nor impairments on the outstanding receivables. There are no specific guarantees offered for the outstanding receivables.

The item 'Cash advances and deposits' are mainly related to guarantees provided for rents and supplies (water, electricity, telecom, waste treatment, …).

The item 'Tax credits for research and development' relates to research and development activities in Belgium and in France.

The item 'Derivatives – Option valuation' is related to the divestment from Proseat.

2.4.2.5.7. Inventories

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Raw materials & supplies - Gross	59 368	58 847
Raw materials & supplies - Amounts written off	(5 276)	(4 517)
Raw materials & supplies	**54 091**	**54 330**
Work in progress - Gross	9 856	9 670
Work in progress - Amounts written off	(170)	(269)
Work in progress	**9 686**	**9 400**
Finished goods - Gross	26 248	24 526
Finished goods - Amounts written off	(1 733)	(1 770)
Finished goods	**24 515**	**22 756**
Traded goods - Gross	7 609	6 622
Traded goods - Amounts written off	(572)	(701)
Traded goods	**7 038**	**5 921**
Down payments - Gross	61	233
Down payments - Amounts written off	0	0
Down payments	**61**	**233**
Contracts in progress - Gross	2 953	6 419
Contracts in progress - Gross - Moulds	3 453	4 729
Contracts in progress	**6 406**	**11 149**
Total inventories	**101 797**	**103 789**
Amounts written-off on inventories during the period	(2 545)	(2 685)
Amounts written-back on inventories during the period	2 052	2 534

2.4.2.5.8. Contract assets

The following schedule presents the overview of contract assets and liabilities following application of IFRS 15 and includes both the impact of the opening balance and the movements of the period.

For the year ending 31 December 2019:

Group Recticel	OPENING BALANCE	CHANGES IN ACCOUNTING POLICIES	OPENING BALANCE RESTATED	CONSIDERATION PAYABLE TO CUSTOMERS	RELEASE TO INCOME STATEMENT	RECLASSIFICA-TION	EXCHANGE DIFFERENCES	CLOSING BALANCE AT THE END OF THE PERIOD
Non-current contract assets - Consideration payable to a customer	1 421	0	1 421	98	(769)	56	6	813
Non-current contract assets - Contracts in progress Moulds	13 905	0	13 905	0	(15 435)	10 360	38	8 869
Non-current contract assets - Contracts in progress Tooling & Packaging	0	0	0	0	(805)	2 258	3	1 456
Non-current contract assets	**15 326**	**0**	**15 326**	**98**	**(17 009)**	**12 674**	**48**	**11 138**
Current contract assets - Consideration payable to a customer	349	0	349	0	(20)	(56)	1	273
Current contract assets - Contracts in progress Moulds	13 433	0	13 433	0	156	(3 365)	38	10 263
Current contract assets - Contracts in progress Tooling & Packaging	0	0	0	0	0	763	1	765
Current contract assets	**13 782**	**0**	**13 782**	**0**	**136**	**(2 658)**	**41**	**11 300**
Total contract assets	**29 108**	**0**	**29 108**	**98**	**(16 873)**	**10 016**	**88**	**22 438**
Current contract assets - Contracts in progress Moulds	4 729	0	4 729	0	5 723	(6 995)	(4)	3 453
Current contract assets - Contracts in progress Tooling & Packaging	0	0	6 368	0	(403)	(3 021)	(0)	2 943
Total	**33 837**	**0**	**40 205**	**98**	**(11 553)**	**(0)**	**84**	**28 835**
Non-current contract liabilities - Mould revenue recognition before SOP	2 375	0	2 375	0	8 897	(8 916)	0	2 357
Non-current contract liabilities - Mould revenue recognition after SOP	21 720	0	21 720	0	(21 198)	12 910	66	13 498
Non-current contract liabilities - Tooling & Packaging revenue recognition before SOP	0	0	0	0	1 812	708	(3)	2 517
Non-current contract liabilities - Tooling & Packaging revenue recognition after SOP	0	0	0	0	0	1 966	2	1 968
Non-current contract liabilities	**24 096**	**0**	**24 096**	**0**	**(10 490)**	**6 669**	**65**	**20 339**
Contract liabilities - Expected rebates and volume discounts	24 369	1	24 370	0	(9 463)	0	478	15 385
Contract liabilities - Long term agreements	334	0	334	0	32	0	1	366
Contract liabilities - Moulds revenue recognition	20 262	0	20 262	0	(323)	(3 995)	61	16 005
Contract liabilities - Tooling & Packaging revenue recognition	0	0	0	0	(1 153)	2 229	1	1 076
Current contract liabilities	**44 964**	**1**	**44 965**	**0**	**(10 907)**	**(1 766)**	**541**	**32 832**
Total contract liabilities	**69 060**	**1**	**69 061**	**0**	**(21 397)**	**4 903**	**605**	**53 172**
Deferred operating income	4 903	0	4 903	0	0	(4 903)	0	0
Total	**73 963**	**1**	**73 964**	**0**	**(21 397)**	**0**	**605**	**53 172**

For the year ending 31 December 2018:

Group Recticel	OPENING BALANCE	CHANGES IN ACCOUNTING POLICIES	"OPENING BALANCE RESTATED"	CONSIDERATION PAYABLE TO CUSTOMERS	RELEASE TO INCOME STATE-MENT	RECLASSIFICA-TION	EXCHANGE DIFFERENCES	CLOSING BALANCE AT THE END OF THE PERIOD
Non-current contract assets - Consideration payable to a customer	0	2 557	2 557	26	(804)	(349)	(9)	1 421
Non-current contract assets - Contracts in progress	0	32 569	32 569	0	(7 518)	(11 108)	(38)	13 905
Non-current contract assets	**0**	**35 126**	**35 126**	**26**	**(8 322)**	**(11 457)**	**(47)**	**15 326**
Current contract assets - Consideration payable to a customer	0	0	0	0	0	349	0	349
Current contract assets - Contracts in progress	0	99	99	0	(42)	13 400	(24)	13 433
Current contract assets	**0**	**99**	**99**	**0**	**(42)**	**13 749**	**(24)**	**13 782**
Total contract assets	**0**	**35 225**	**35 225**	**26**	**(8 363)**	**2 292**	**(71)**	**29 108**
Current contract assets - Contracts in progress Moulds	0	8 252	8 252	0	(1 223)	(2 292)	(8)	4 729
Current contract assets - Contracts in progress Tooling & Packaging	0	0	0	0	0	0	0	0
Total	**0**	**43 476**	**43 476**	**26**	**(9 586)**	**0**	**(78)**	**33 837**
Non-current contract liabilities - Mould revenue recognition before SOP	0	1 289	1 289	0	11 839	(10 751)	(1)	2 375
Non-current contract liabilities - Mould revenue recognition after SOP	0	53 472	53 472	0	(22 077)	(9 615)	(60)	21 720
Non-current contract liabilities	**0**	**54 760**	**54 760**	**0**	**(10 238)**	**(20 366)**	**(61)**	**24 096**
Contract liabilities - Expected rebates and volume discounts	0	20 359	20 359	0	4 102	0	(92)	24 369
Contract liabilities - Long term agreements	0	247	247	0	87	0	(1)	334
Contract liabilities - Moulds revenue recognition	0	0	0	0	(63)	20 366	(42)	20 262
Current contract assets - Contracts in progress Tooling & Packaging	0	0	0	0	0	0	0	0
Current contract liabilities	**0**	**20 606**	**20 606**	**0**	**4 127**	**20 366**	**(134)**	**44 964**
Total contract liabilities	**0**	**75 366**	**75 366**	**0**	**(6 112)**	**0**	**(195)**	**69 060**

In the Automotive Interiors activity, Recticel developed a polyurethane-based technology for the manufacturing of interior trim components. For optimum implementation of this application, based on the specifications given by its customers, Recticel ensures the manufacturing of the moulds with its own suppliers during the pre-operating phase, before starting production of components. At the end of this subcontracting process, the moulds are sold to the customer.

2.4.2.5.9. Trade receivables and other receivables

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Trade receivables	103 942	112 392
Loss allowance for expected credit losses	(4 825)	(4 712)
Total trade receivables	**99 117**	**107 680**
Other receivables (1)	**20 119**	**26 245**
Derivatives (forward exchange contracts)	73	19
Loans carried at amortised cost	12 475	28 961
Other financial assets (2)	**12 548**	**28 981**
Other receivables and other financial assets (1)+(2)	**32 667**	**55 226**

Trade receivables at the reporting date **2019** comprise amounts receivable from the sale of goods and services for EUR 99.1 million (2018: EUR 107.7 million).

In **2019, other receivables** amounting to EUR 20.1 million relate to (i) VAT receivable (EUR 8.6 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 5.6 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 5.9 million).

In **2018, other receivables** amounting to EUR 26.2 million relate to (i) VAT receivable (EUR 14.3 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 4.7 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 7.2 million).

In **2019, other financial assets** (EUR 12.5 million) mainly consist of, a receivable of EUR 11.7 million (2018: EUR 13.8 million) relating to the continuing involvement under non-recourse factoring programs in Belgium, France, The Netherlands and the United Kingdom.

In **2018, other financial assets** (EUR 29.0 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 14.7 million), a receivable of EUR 13.8 million (2017: EUR 17.4 million) relating to the continuing involvement under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom.

Factoring

To confine credit risks, non-recourse factoring and discounting programs were established for a total amount of EUR 82.4 million (of which EUR 47.1 million were actually used at 31 December 2019).

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Factoring without recourse		
Gross amount	58 032	64 480
Continuing involvement	(11 738)	(13 806)
Net amount	**46 294**	**50 674**
Retention amount recognized in debt *	758	646
Total amount factoring without recourse	**47 051**	**51 320**

* included in the current interest-bearing borrowings

The average outstanding amounts from due receivables vary according to business line between 0.5% and 1.5% of total sales. A strict credit follow-up is organised through a centralised credit management organisation.

The continuing involvement represents the retention of contractual rights as specified in the terms and conditions under the factoring agreement.

Movement in loss allowance for **expected credit losses:**

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
At the end of the preceding period	**(4 711)**	**(4 560)**
Additions	(1 168)	(711)
Reversal	596	710
Non-recoverable amounts	43	(137)
Reclassification	294	0
Exchange differences	123	(12)
Total at the end of the period	**(4 825)**	**(4 711)**

The non-recoverable amounts refer to trade receivable balances which have been written-off as the Group considers that these are not recoverable.

2.4.2.5.10. Cash and cash equivalents

Cash and cash equivalents include cash held by the Group and short-term bank deposits with an original maturity of three months and less. The carrying amount of these assets approximates to their fair value. There are no specific restrictions that apply to cash and cash equivalents.

2.4.2.5.11. Assets held for sale

In **2019** this item relates mainly to a site in Hassfurt (Germany) and in Legutiano (Spain).

In **2018** this item relates to (i) Recticel's 26% participation in the joint venture company Proseat (Automotive Seating), (ii) two sites held by Recticel Grundstückverwaltung GmbH and (iii) the building in Legutiano (Spain; Flexible Foams).

Following the announcement on 19 December 2018 of the transaction with Sekisui Plastics Co Ltd (see 2.4.2.2.2.), 26% out of Recticel's 51% participation in the joint venture company Proseat (Automotive Seating) has been transferred to 'Assets held for sale'; the remaining 25% stake in Proseat is reported under 'Interests in joint ventures and associates'.

2.4.2.5.12. Share capital

number

Group Recticel	2019	2018
Number of shares		
Number of shares issued and fully paid at 01 January	55 227 012	54 776 357
Number of shares issued and fully paid at 31 December	55 397 439	55 227 012
of which number of treasury shares at 31 December	*326 800*	*326 800*

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Issued and fully paid shares	138 494	138 068

The change in share capital is explained by the exercise of subscription rights in 2019.

Recticel manages its share capital, without any corrections or adjustments. There are no external capital restrictions applicable on the share capital, except for the 'club deal' financing facility which is subject to some financial covenants. One covenant requires a minimum absolute total equity amount. A second covenant limits the annual dividend payment to maximum 50% of the result of period after taxes.

2.4.2.5.13. Pensions and similar obligations

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Post-employment benefits: defined benefit plans	55 543	49 954
Other long-term benefits and termination benefits	2 317	2 821
Net liabilities at 31 December	**57 860**	**52 775**
of which current liabilities	696	4 720
of which non-current liabilities	57 164	48 055

Post-employment benefits: defined benefit plans
Over 99% of the defined benefit obligation is concentrated in five countries: Belgium (45%), United Kingdom (22%), Switzerland (19%), Germany (7%) and France (6%).

Within these five countries Recticel operates funded and unfunded defined benefit retirement plans. These plans typically provide retirement benefits related to remuneration and period of service. The following sections describe the three largest retirement plans, which make up 86% of the total defined benefit obligation.

in thousand EUR

Group Recticel 31 DEC 2019	DEFINED BENEFIT OBLIGATION	ASSETS	FUNDED STATUS	ADJUSTMENT DUE TO ASSET CEILING/ ONEROUS LIABILITY	NET LIABILITY/ (ASSET)
Belgium	81 602	(53 770)	27 832	0	27 832
United Kingdom	40 417	(36 041)	4 376	1 687	6 063
Switzerland	33 385	(34 839)	(1 454)	1 379	(75)
Other countries	25 413	(3 690)	21 723	0	21 723
Total	**180 817**	**(128 340)**	**52 477**	**3 066**	**55 543**

Belgium
The defined benefit and hybrid pension plans in Belgium are plans funded through group insurances. Only the employer pays contributions to fund the plans. The defined benefit plans are closed for new employees since 2003. Most hybrid plans are still open to new employees. The plans function in and comply with a regulatory framework and comply with the local minimum funding requirements. The plan participants are entitled to a lump sum on retirement at age 65. The pension benefits provided by the plans are related to the employees' salary. Active members also receive a benefit on death-in-service. The assumed form of benefit payment is in all cases a lump sum, but the plans foresee the option to convert to annuity.

United Kingdom
Recticel sponsors one defined benefit plan in the United Kingdom. It is a funded pension plan which is closed to new entrants and to further accrual of benefits for existing members. The plan is administered via a trust which is legally separate from Recticel and is administered by a board of Trustees composed of both employer-appointed and member-nominated Trustees. The Trustees are required by law to act in the interest of the beneficiaries of the plan, and are responsible for the investment policy in respect of plan assets and for the day to day administration of the benefits. The plan functions in and complies with a regulatory framework and is subject to local minimum funding requirements. Under the plan, participants are entitled to annual pensions on retirement at age 65 based on the final pensionable salary and the years of service. Members also receive benefits on death.

UK legislation requires that the liabilities of defined benefit pension schemes are calculated for funding purposes on a prudent basis. The last funding valuation of the plan was carried out as at 01 January 2017 and showed a deficit of GBP 7.4 million. A new recovery plan was agreed in January 2018 to eliminate this deficit by 31 December 2024. Recticel agreed to pay a total amount of GBP 8.4 million as recovery contributions during the period 01 January 2017 to 31 December 2024. The outstanding amount at 31 December 2019 is GBP 5.4 million.

Switzerland
Recticel sponsors a hybrid pension plan in Switzerland. Both employer and employees pay contributions to fund the plan. The plan is open to new employees. The plan is administered via a pension fund and a welfare fund which are legally separate from Recticel. The board of Trustees of the pension fund is equally composed of representatives of both the employer and employees, whereas the board of the welfare fund is composed of employer representatives. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plan operates in accordance with a regulatory framework and complies with the local minimum funding requirement. Under the plan, participants are insured against the financial consequences of old age, disability and death.

- Risks associated to defined benefit pension plans

The most significant risks associated with Recticel's defined benefit plans are :

Asset volatility :
The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the long-term obligations.

Changes in bond yields :
A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be partially offset by an increase in the value of the bond holdings.

Inflation risk :
The benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in some cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy :
Many of the obligations are to provide benefits for the life of the member or take into account member mortality rates, so increases in life expectancy will result in an increase in the liabilities.

Currency risk :
The risk that arises from the change in price of the euro against other currencies.

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Evolution of the net liability during the year is as follows:		
Net liability at 01 January	**49 954**	**54 988**
Changes in scope of consolidation	696	0
Expense recognised in the income statement	5 257	5 678
Employer contributions	(7 121)	(6 129)
Amount recognised in other comprehensive income	6 434	(4 530)
Exchange differences	323	(53)
Net liability at 31 December	**55 543**	**49 954**

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Pension costs recognised in profit and loss and other comprehensive income:		
Service cost:		
Current service cost	5 769	5 989
Employee contributions	(303)	(358)
Past service cost (including curtailments)	(1 279)	(986)
Administration expenses	306	313
Net interest cost:		
Interest cost	2 610	2 243
Interest income	(1 875)	(1 539)
Interest on asset ceiling/ onerous liability	29	16
Pension expense recognised in profit and loss	**5 257**	**5 678**
Remeasurements in other comprehensive income		
Return on plan assets (in excess of)/below that recognised in net interest	(10 634)	4 356
Actuarial (gains)/losses due to changes in financial assumptions	19 254	(6 478)
Actuarial (gains)/losses due to changes in demographic assumptions	(1 690)	(3 341)
Actuarial (gains)/losses due to experience	(293)	447
Changes in the asset ceiling/ onerous liability impact, excluding amounts recognised in net interest cost	(203)	486
Total amount recognised in other comprehensive income	**6 434**	**(4 530)**
Total amount recognised in profit and loss and other comprehensive income	**11 691**	**1 148**

In 2019, amounts for past service costs (including curtailments) are related to restructurings in Belgium and in France.

in thousand EUR

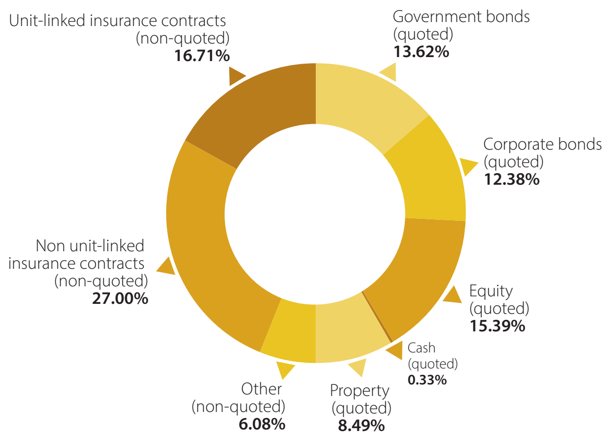
Group Recticel	31 DEC 2019	31 DEC 2018
Amounts recorded in the statement of financial position in respect of the defined benefit plans are:		
Defined benefit obligations for funded plans	173 466	149 940
Fair value of plan assets	(128 340)	(109 445)
Funded status for funded plans	**45 126**	**40 495**
Defined benefit obligations for unfunded plans	7 351	6 345
Total funded status at 31 December	**52 477**	**46 840**
Asset ceiling/ onereous liability	**3 066**	**3 115**
Net liabilities at 31 December	**55 543**	**49 954**
Current liabilities	696	635
Non-current liabilities	54 847	49 319
The key actuarial assumptions used at 31 December (weighted averages) are:		
Discount rate	0.78%	1.72%
Future pension increases	0.82%	0.87%
Expected rate of salary increases	1.85%	1.81%
Inflation	1.68%	1.70%

The mortality assumptions are based on recent mortality tables. The mortality tables of the United Kingdom, Germany and Switzerland assume that life expectancies will increase in future years.

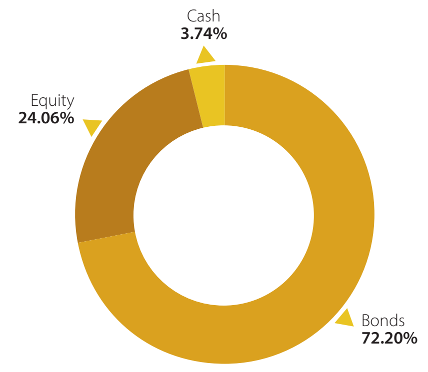
Movement of the plan assets		
Fair value of plan assets at 1 January	109 445	110 604
Changes in scope of consolidation	882	0
Interest income	1 875	1 539
Employer contributions	7 121	6 129
Employee contributions	303	358
Benefits paid (direct & indirect, including taxes on contributions paid)	(4 554)	(5 437)
Return on plan assets in excess of/(below) that recognised in net interest, excl. interest income	10 634	(4 356)
Administration expenses	(306)	(313)
Exchange differences	2 940	921
Fair value of plan assets at 31 December	**128 340**	**109 445**

The funded plans' assets are invested in mixed portfolios of shares and bonds, or insurance contracts. The plan assets do not include direct investments in Recticel shares, Recticel bonds or any property used by Recticel companies.

Plan assets portfolio mix at 31 December 2019



Asset classes of unit-linked insurance contracts



Unit-linked insurance contracts are investments in debt, equity and cash instruments managed by an insurance company, in which Recticel holds a specific number of fund units of which the net asset value is declared on a regular basis. Non-unit-linked insurance contracts are pure insurance policies with only limited financial investment risk.

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Movement of the defined benefit obligation		
Defined benefit obligation at 01 January	**156 285**	**163 088**
Changes in scope of consolidation	1 578	0
Current service cost	5 769	5 989
Interest cost	2 610	2 243
Benefits paid (direct & indirect, including taxes on contributions paid)	(4 554)	(5 437)
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	19 254	(6 478)
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	(1 690)	(3 341)
Actuarial (gains)/losses on liabilities arising from experience	(293)	447
Past service cost (incl. curtailments)	(1 279)	(986)
Exchange differences	3 137	760
Defined benefit obligation at 31 December	**180 817**	**156 285**
Split of the defined benefit obligation per population		
Active members	98 652	83 858
Members with deferred benefit entitlements	33 463	29 307
Pensioners/Beneficiaries	48 702	43 120
Total defined benefit obligation at 31 December	**180 817**	**156 285**
Changes in the effect of the asset ceiling/ onerous liability during the year		
Asset ceiling/ onerous liability impact at 01 January	3 115	2 504
Interest on asset ceiling/ onerous liability	29	16
Changes in the asset ceiling/ onerous liability impact, excluding amounts recognised in net interest cost	(203)	486
Exchange differences	125	109
Asset ceiling/ onerous liability impact at 31 December	**3 066**	**3 115**
Weighted average duration of the defined benefit obligation at 31 December	**13 years**	**14 years**
Sensitivity of defined benefit obligation to key assumptions at 31 December		
% increase in defined benefit obligation following a 0.25% decrease in the discount rate	3.40%	3.54%
% decrease in defined benefit obligation following a 0.25% increase in the discount rate	-3.22%	-3.36%
% decrease in defined benefit obligation following a 0.25% decrease in the inflation rate	-1.38%	-1.55%
% increase in defined benefit obligation following a 0.25% increase in the inflation rate	1.37%	1.62%

For plans where a full valuation has been performed the sensitivity information shown above is exact and based on the results of this full valuation. For plans where results have been rolled forward from the last full actuarial valuation, the sensitivity information above is approximate and takes into account the duration of the liabilities and the overall profile of the plan membership.

in thousand EUR

Group Recticel	2020
Estimated contributions for the coming year	
Expected employer contributions for defined benefit plan	7 408

• Post-employment benefits: defined contribution plans
The total contributions payable in respect of the current year amount to EUR 4,720,433 compared to an amount of EUR 3,371,327 last year.

2.4.2.5.14. Provisions

For the year ending 31 December 2019:

in thousand EUR

Group Recticel	LITIGATIONS	DEFECTIVE PRODUCTS	ENVIRON-MENTAL RISKS	RESTRUC-TURING	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
At the end of the preceding year	**188**	**1 713**	**2 237**	**9 063**	**1 117**	**2 573**	**16 891**
Movements during the year							
Changes in accounting policies	0	0	0	0	(628)	0	**(628)**
Increases	0	960	0	3 647	0	0	**4 607**
Utilisations	(163)	(726)	(507)	(5 629)	0	(236)	**(7 262)**
Write-backs	(50)	(353)	0	(390)	0	(157)	**(950)**
Transfer from one heading to another	50	0	0	489	(489)	(50)	**(0)**
Exchange rate differences	0	13	0	0	0	(7)	**5**
At year-end	**25**	**1 607**	**1 730**	**7 179**	**(0)**	**2 123**	**12 664**
Non-current provisions (more than one year)	25	1 379	1 522	1 853	0	2 123	**6 902**
Current provisions (less than one year)	0	228	208	5 326	(0)	(0)	**5 762**
Total	**25**	**1 607**	**1 730**	**7 179**	**(0)**	**2 123**	**12 664**

The movement in the changes in accounting policies relates to the application of IFRS 16.

Provisions for defective products are mainly related to warranties granted for products in the bedding division. The provisions are generally calculated on the basis of 1% of yearly turnover, which corresponds to the management's best estimate of the risk under 12-month warranties. When historical data are unavailable, the level of the provisions is compared to the yearly effective rate of liabilities, and if necessary, the amount of provision is adjusted.

Provisions for environmental risks cover primarily (i) the identified risk at the Tertre (Belgium) site (see section 2.4.2.6.9.1.) and (ii) other pollution risks in Belgium. EUR -0.4 million of this provision has been used in 2019 to cover clean-up costs on the site in Tertre.

Provisions for reorganisation relate to the outstanding balance of expected expenses relating to (i)(i) the closure of the Bedding plant in Hassfurt (Germany), (ii) some additional rationalisation efforts in Automotive and (iii) the further streamlining in the corporate and central services.

Provisions for other risks relate mainly to legal costs and fees for legacy remediation and litigations (see 2.4.6.9. – Contingent assets and liabilities).

For the major risks (i.e. environmental, reorganisation and other risks) the cash outflow is expected to occur within a two years' horizon.

2.4.2.5.15. Financial liabilities

• **Financial liabilities carried at amortised cost include mainly interest-bearing borrowings:**

in thousand EUR

Group Recticel	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018
Secured				
Lease liabilities	80 561	17 505	15 837	640
Bank loans	18 103	15 500	1 778	0
Bank loans - factoring with recourse	0	0	758	646
Total secured	**98 664**	**33 005**	**18 373**	**1 286**
Unsecured				
Other loans	1 670	1 701	260	260
Current bank loans	0	0	259	2 945
Commercial paper	0	0	96 936	58 985
Bank overdrafts	0	0	742	25 780
Other financial liabilities	0	0	846	765
Total unsecured	**1 670**	**1 701**	**99 043**	**88 734**
Total liabilities carried at amortised cost	**100 334**	**34 706**	**117 416**	**90 021**

• **Gross financial debt: interest-bearing borrowings, including continuing involvement of off-balance sheet non-recourse factoring programs**

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Drawn amounts under the various available interest-bearing borrowing facilities		
Outstanding amounts under lease liabilities	80 561	17 504
Outstanding amounts under other non-current loans	19 773	17 201
Outstanding amounts under non-current gross interest-bearing borrowings (a)	**100 334**	**34 705**
Outstanding amounts under bank overdrafts	742	23 959
Outstanding amounts under current bank loans	2 036	2 945
Outstanding amounts under lease liabilities	15 837	640
Outstanding amounts under factoring programs - retention amount	758	646
Outstanding amounts under commercial paper programs [1]	96 936	58 985
Outstanding amounts under other current loans	260	260
Outstanding amounts under other financial liabilities	846	765
Outstanding amounts under current gross interest-bearing borrowings (b)	**117 416**	**88 200**
Total outstanding amounts under gross interest-bearing borrowings (c)=(a)+(b)	**217 750**	**122 905**
Outstanding amounts under non-recourse factoring programs (d)	47 051	51 320
Total outstanding amounts under gross interest-bearing borrowings and factoring programs (e)=(c)+(d)	**264 801**	**174 225**
Weighted average lifetime of non-current interest-bearing borrowings (in years)	**3.5**	**7.1**
Weighted average interest rate of gross financial debt at fixed interest rate	1,98%	2,03%
Interest rate range of gross financial debt at fixed interest rate	1.46% - 2.62%	1.46% - 2.62%
Weighted average interest rate of gross financial debt at variable interest rate	0,39%	1,00%
Interest rate range of gross financial debt at variable interest rate	0.25% - 3.70%	0.11% - 3.70%
Weighted average interest rate of total gross financial debt	**0.90%**	**1.32%**
Percentage of gross financial debt at fixed interest rate	**32.0%**	**31.0%**
Percentage of gross financial debt at variable interest rate	**68.0%**	**69.0%**

[1] The amount drawn under the commercial paper program is to be covered at any time by the undrawn amount under the club deal facility. Therefor the reported unused amount under the EUR 175 million club deal revolving credit facility is after deduction of the issued amounts under the commercial paper program.

The fair value of floating rate borrowings is close to the nominal value.

The majority of the Group's financial debt is centrally contracted and managed through Recticel International Services n.v./s.a., which acts as the Group's internal bank.

(i) Lease liabilities
Lease liabilities comprise (i) following the application of IFRS 16 the operating leases for property, plant and equipment, furniture and vehicles (see note 2.4.2.1.2.1.1.), and (ii) leases formerly classified as 'finance leases'. These finance leases consist mainly of three leases:

- the lease financing the Insulation plant in Bourges (France), has an outstanding amount as of 31 December 2019 of EUR 6.4 million and is at floating rate;
- the lease financing buildings in Belgium, has an outstanding amount as of 31 December 2019 of EUR 2.0 million and is at a fixed rate;
- the additional lease to finance the extension of the Insulation plant in Wevelgem (Belgium) in 2017, has the outstanding amount as of 31 December 2019 of EUR 8.0 million and is at fixed rate.

(ii) Bank loans – "club deal"
On 9 December 2011, Recticel concluded a new five-year club deal for a multi-currency loan of EUR 175 million. The tenor of this 'club deal' facility – in which 6 European banks are participating - has been extended in February 2016 for another five years. It currently will mature in February 2021.

(iii) Other bank loans
In 2018, Recticel concluded a secured fixed rate bilateral bank loan of EUR 15.5 million for the financing of the new greenfield Insulation plant in Finland. The tenor of this amortising bank loan is 15 years, with maturity in March 2033. The outstanding amount at 31 December 2019 is EUR 14.6 million. In addition, the Group holds for its Automotive activities a local bank loan of EUR 5.2 million in China.

(iv) Commercial paper program
In 2017, the Group started through Recticel n.v. a short-term commercial paper program (TCN – Titres de Créances Négociables) in France for an amount of EUR 100 million, which was increased in 2018 to EUR 150 million. This TCN-program is used to complement the financing of day-to-day working capital needs of the Group. The amount issued under the TCN-program is to be covered by the unused amount under the EUR 175 million club deal credit facility.

• **Other financial liabilities**

For interest rate swaps reference is made to 2.4.2.5.17

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Other financial debt	190	65
Interest accruals	441	270
Total	**631**	**336**

2.4.2.5.16. Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases. Trade payables slightly increased to EUR 93.0 (2018: EUR 90.8 million).

Other current amounts payable decreased by EUR 23.6 million and is composed as follows:

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Other non current liabilities maturing within one year	162	155
VAT payable - local	7 458	12 968
Other tax payables	1 998	3 172
Payroll, social security	35 666	34 823
Dividend payable	402	311
Result transfer (fiscal unit)	0	12 898
Other debts	13 496	18 986
Accrued liabilities - operating	15 799	11 248
Deferred income - operating	5 170	9 873
Deferred income - insurance premium	667	0
Deferred income - gain on sale and leaseback	506	523
Total	**81 324**	**104 957**

The major movement is linked to the partial divestment from the Proseat group (cfr Result transfer - fiscal unit).

I.4.2.5.17. Financial instruments and financial risks

The following table presents the financial instruments by category of IFRS 9 and the fair value level for the financial assets and liabilities measured at fair value:

in thousand EUR

Group Recticel	IFRS 9 CATEGORY	31 DEC 2019	31 DEC 2018	FAIR VALUE LEVEL
Financial assets				
Transactional hedges - operational	**FVTPL**	**73**	**19**	**2**
Derivatives not designed in a hedge relationship	FVTPL	206	43	2
Current trade receivables	**AC**	**99 117**	**107 679**	**2**
Other non-current receivables	AC	6 137	1 643	2
Other receivables	AC	20 119	26 245	2
Other receivables	**AC**	**26 256**	**27 888**	**2**
Loans to affiliates	AC	9 450	4 078	2
Other loans	AC	1 586	1 763	2
Non-current loans	**AC**	**11 036**	**5 841**	**2**
Financial receivables	AC	12 269	28 961	2
Loans to affiliates	**AC**	**23 305**	**34 803**	**2**
Cash and cash equivalents	**AC**	**48 479**	**37 733**	**2**
Other investments	**FVTOCI**	**522**	**728**	**2**
Financial liabilities				
Interest rate swaps designated as cash flow hedge relationship	**FVTPL**	**125**	**229**	**2**
Transactional hedges - operational	**FVTPL**	**9**	**40**	**2**
Derivatives not designated in a hedge relationship	FVTPL	81	161	2
Non-current financial liabilities at amortised cost	**AC**	**100 334**	**34 705**	**2**
Current financial liabilities at amortised cost	**AC**	**117 201**	**87 770**	**2**
Trade payables	**AC**	**93 089**	**90 757**	**2**
Other non-current payables	AC	43	202	2
Other payables	AC	81 325	104 957	2
Other payables	**AC**	**81 367**	**105 159**	**2**

AC = financial assets or liabilities at amortised cost
FVTPL = Financial assets or liabilities at fair value through profit or loss
FVTOCI = financial assets at fair value through other comprehensive income

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial risk management

- ***Credit risk***

The Group's principal current financial assets are cash & cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of loss allowances for expected credit losses, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The risk profile of the trade receivables portfolio is segmented by business line and based on the conditions of sale observed on the market. At the same time, it is confined by the agreed limits of the general conditions of sale and the specifically agreed conditions, adapted accordingly. The latter also depend on the degree of industrial and commercial integration of the customer, as well as on the level of market competitiveness.

The trade receivables portfolio in Flexible Foams, Bedding and Insulation consists of a large number of customers distributed among various markets, for which the credit risk is assessed on an on-going basis and based on which the commercial and financial conditions are granted. In addition, the credit risks on trade receivables, except for Automotive, are mostly covered by credit insurance policies which the Group manages centrally and harmonises. In case of transfer of these receivables to the factoring company, the latter becomes the beneficiary of these credit insurance policies. The credit risk management is also strengthened by a credit management organisation which to a great extent is centralised, the implementation of SAP software modules (FSCM) and best practice processes regarding the collection of receivables.

In Automotive, credit risks are concentrated, and the Group relies on the solvency ratios allocated by independent rating agencies.

Credit terms granted on sales vary in function of the customer credit assessment, the business line and the country of operations.

There is a limited credit risk assessment on shareholder loans granted to the joint ventures. Shareholder loans to joint ventures are provided in accordance with rules foreseen in the joint venture agreements, which are subject to the evolution of the operational business performance.

- ***Interest rate risk management***

Recticel is hedging economically the interest rate risk linked to its interest-bearing borrowings on a global basis. The main derivative instruments used to convert floating rate debt into fixed rate debt are Interest Rate Swaps (IRS). The amount of fixed rate arrangements in relation to total financial debt is reviewed on an on-going basis by the Finance Committee and adjusted as and when deemed appropriate. In this, the Finance Committee aims at maintaining an appropriate balance between fixed and floating rate arrangements based on a philosophy of sound spreading of interest rate risks.

In an interest rate swap ("IRS") agreement, the Group undertakes to pay or receive the difference between the amounts of interest at fixed and floating rates on a nominal amount. This type of agreement enables the Group to fix the rate on a portion of its floating rate debt in order to be protected against the risk of higher interest charges on a loan at floating interest rates.

The market value of the portfolio of interest rate swaps on the reporting date is the discounted value of the future cash flows from the contract, using the interest rate curves at that date.

The current portfolio of IRS covers a portion of interest-bearing borrowings for EUR 25 million until February 2021 and a new IRS concluded in July 2019 for EUR 10 million until July 2024 .

The weighted average tenor of the IRS portfolio is 2.11 years.

On 31 December 2019, the fair value of the interest rate swaps was estimated at EUR -0.2 million.

All financial leases (EUR 16.4 million, of which EUR 2.0 million relate to a sale & lease back in Belgium) and a bank loan of EUR 14.6 million are at fixed rate; most other bank debt is contracted at floating rate. The current portfolio of interest rate swaps provides a global hedge for a total of EUR 35.0 million at 31 December 2019. Total fixed-rate arrangements represent 32% of the total net debt including 'off-balance' factoring.

Sensitivity to interest rates

The Group's interest rate risk exposure derives from the fact that it finances at both fixed and variable interest rates. The Group manages the risk centrally through an appropriate structure of loans at fixed and variable interest rates and through interest rate swaps (IRS). The interest rate hedges are evaluated regularly to bring them in line with the Group's view on the trend in interest rates on the financial markets, with the aim of optimising interest charges throughout the various economic cycles. Hedge accounting within IFRS 9 is not applied.

- ***Profit and loss impact from interest rate hedges***

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit on the IRS portfolio in 2019 would have increased by EUR +0.5 million, compared to EUR +0.4 million in 2018.

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the Group's profit on the IRS portfolio in 2019 would have decreased by EUR -0.3 million, compared to EUR -0.1 million in 2018.

- ***Currency risk management***

It is the Group's policy to hedge foreign exchange exposures resulting from financial and operational activities via Recticel International Services s.a./n.v. (RIS), which acts as internal bank of the Group. This hedging policy is mainly implemented through forward exchange contracts. Hedge accounting under IFRS 9 is not applied for currency risk management.

In general, the Group concludes forward exchange contracts to cover currency risks on incoming and outgoing payments in foreign currency. The Group may also conclude forward exchange contracts and option contracts to cover currency risks associated with planned sales and purchases of the year, at a percentage which varies according to the predictability of the payment flows.

At reporting date, forward exchange contracts were outstanding for a nominal amount of EUR 17.3 million and with a total fair value of EUR +0.2 million.

Sensitivity analysis on currency risks

The Group deals mainly in 6 currencies outside the euro zone: GBP, USD, CHF, SEK, PLN and CZK.

The following table details the sensitivity of the Group to a positive or negative variation, compared to the annual variation in the pairs of currencies during the previous financial year.

The sensitivity analysis covers only the financial amounts in foreign currency which are recognised in the statement of financial position and which are outstanding at 31 December and determines their variations at the conversion rates based on the following assumptions: USD and GBP 10%; CZK, PLN, CHF and SEK 5%.

The following table details the Group's sensitivity in profit or loss to a respectively 10% increase (or decrease) of the US Dollar and Pound Sterling against the Euro, and 5% increase and decrease of the Czech Crown, Polish Zloty, Swedish Krona and Swiss Franc against the Euro. The percentages applied in this sensitivity analysis represent the management's assessment of the volatility of these currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10%, respectively 5%, change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. It includes also the foreign exchange derivatives (not designated as hedging instruments).

A positive number indicates an increase in profit or loss when the Euro weakens by respectively 10% against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Polish Zloty, Swedish Krona or Swiss Franc. For a respectively 10% strengthening of the Euro against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Polish Zloty, Swedish Krona or Swiss Franc, there would be a comparable opposite impact on the profit or loss (i.e. the impact would be negative).

in thousand EUR

Group Recticel	STRENGTHENING OF USD VERSUS EUR		STRENGTHENING OF GBP VERSUS EUR		STRENGTHENING OF CZK VERSUS EUR		STRENGTHENING OF SEK VERSUS EUR		STRENGTHENING OF CHF VERSUS EUR		STRENGTHENING OF PLN VERSUS EUR	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Historical average variation	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%	5%	5%
Profit or (loss) recognized in the P&L account	(288)	(2 221)	77	(2 747)	51	(173)	(112)	(403)	74	326	68	(154)
Financial assets *	46 191	34 441	35 839	7 665	31 896	35 310	9 397	1 479	7 231	10 592	12 539	6 052
Financial liabilities *	(44 935)	(59 906)	(37 640)	(62 781)	(24 784)	(33 311)	(10 032)	(12 045)	(5 818)	(3 718)	(10 487)	(8 626)
Derivatives	(4 134)	3 250	2 570	27 647	(6 100)	(5 453)	(1 600)	2 496	70	(355)	(700)	(510)
Total net exposure	**(2 878)**	**(22 215)**	**769**	**(27 469)**	**1 012**	**(3 455)**	**(2 235)**	**(8 070)**	**1 483**	**6 519**	**1 352**	**(3 084)**

* includes trade and other receivables and trade and other payables.

Financial assets and liabilities represent the foreign currency exposure of the different subsidiaries of the Group in relation to their local currency.

Liquidity risk

The financing sources are well diversified, and the bulk of the debt is irrevocable and long-term or backed-up by long-term commitments. It includes the 5-year club deal revolving credit facility concluded in December 2011 for an amount of EUR 175 million, which was extended in February 2016 for a new 5-year period until February 2021. In the course of the second quarter of 2020, the Group will start negotiations with its banks to renew this facility.

In addition to the long-term loans, the Group has a diversified range of short-term financing sources, including a commercial paper program and non-recourse factoring facilities.

The diversified financing structure and the availability of committed unused credit facilities for EUR 166.5 million guarantee the necessary liquidity to ensure the future activities and to meet the short- and medium-term financial commitments.

The Group does not enter in financial instruments that require cash deposits or other guarantees (i.e. margin calls).

The club deal financing agreement is subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement; all on a combined basis. At the end of 2019, Recticel complied with all its bank covenants. Following the outbreak of the COVID-19 crisis it is currently not possible to assess whether the Group will be in a position to meet its bank covenants in the coming year (see note 2.4.2.6.3. – Events after the reporting date). These bank covenants will continue to be determined on the basis of the generally accepted accounting principles that were in place at the moment of the closing of the club deal agreement ("frozen GAAP"). The adoption of IFRS 16 has no an impact on the measurement of these covenants.

Under the club deal financing agreement, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

The gross dividend over 2019 – to be paid in 2020 – proposed to the Annual General Meeting amounts to EUR 0.24 per share, leading to a total dividend pay-out of EUR 13.2 million (excluding treasury shares). This amounts exceeds the above-mentioned 50% maximum pay-out limit. A waiver has been obtained from the participating banks to authorise such higher payment.

The following table presents the unused credit facilities available to the Group:

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Unused amounts under non-current financing facilities		
Undrawn available commitments under the club deal facility [1]	78 064	116 015
Undrawn available under non-current commitments maturing within one year	0	0
Undrawn available under other non-current commitments	0	0
Total available under non-current facilities	**78 064**	**116 015**
Unused amounts under current financing facilities		
Undrawn under current on-balance facilities	53 087	45 827
Undrawn under off-balance factoring programs	35 333	37 627
Total available under current facilities	**88 420**	**83 454**
Total unused amounts under financing facilities	**166 484**	**199 469**

[1] The amount drawn under the commercial paper program is to be covered at any time by the undrawn amount under the club deal facility. Therefor the reported unused amount of EUR 78 million under the EUR 175 million club deal revolving credit facility is after deduction of the issued amounts under the commercial paper program.

- **Maturity analysis of financial liabilities**

For the year ending 31 December 2019:

in thousand EUR

Group Recticel	MATURING WITHIN ONE YEAR (A)	MATURING BETWEEN 1 AND 5 YEARS (B)	MATURING AFTER 5 YEARS (C)	TOTAL (A)+(B)+(C)	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT
Lease liabilities	23 124	58 493	27 836	109 454	(13 055)	96 398
Bank loans	2 532	10 343	10 128	23 004	(3 123)	19 881
Other loans	270	1 001	790	2 061	(131)	1 930
Interest-bearing borrowings	**25 926**	**69 837**	**38 755**	**134 518**	**(16 309)**	**118 209**
Other financial liabilities - Non-derivative	**99 326**	**0**	**0**	**99 326**	**0**	**99 326**
Other financial liabilities - Derivative	**215**	**0**	**0**	**215**	**0**	**215**
Total						**217 750**
Non-current financial liabilities						100 334
Current financial liabilities						117 416
Total						**217 750**

For the year ending 31 December 2018:

in thousand EUR

Group Recticel	MATURING WITHIN ONE YEAR (A)	MATURING BETWEEN 1 AND 5 YEARS (B)	MATURING AFTER 5 YEARS (C)	TOTAL (A)+(B)+(C)	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT
Lease liabilities	793	11 954	7 472	20 219	(2 074)	18 145
Bank loans	111	6 059	12 660	18 831	(3 331)	15 500
Other loans	423	1 001	823	2 247	(286)	1 961
Interest-bearing borrowings	**1 327**	**19 015**	**20 956**	**41 297**	**(5 692)**	**35 606**
Other financial liabilities - Non-derivative	**88 691**	**0**	**0**	**88 691**	**0**	**88 691**
Other financial liabilities - Derivative	**430**	**0**	**0**	**430**	**0**	**430**
Total						**124 727**
Non-current financial liabilities						34 706
Current financial liabilities						90 021
Total						**124 727**

2.4.2.5.18. Business combinations and disposals

There were no material business combinations during 2019, nor in 2018.

2.4.2.5.19. Capital management

The overview below defines the capital components which management considers key in order to realise its capital structure target ratio (i.e. Total net financial debt/Total equity) of less than 50%.

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Hedging liabilities	215	430
Non current financial liabilities	100 334	34 706
Current portion of non current financial liabilities	17 875	900
Current financial liabilities	98 885	88 421
Interest accruals	441	270
Gross financial debt	**217 750**	**124 727**
Cash and cash equivalents	(48 479)	(39 554)
Deferred interest	(337)	(616)
Hedging assets	(279)	(19)
Net financial debt	**168 655**	**84 538**
Drawn amounts under off-balance non-recourse factoring programs	47 052	51 320
Total net financial debt	**215 707**	**135 858**
Total equity	**275 397**	**264 978**
Ratios		
Net financial debt / Total equity	61,2%	31,9%
Total net financial debt / Total equity	78,3%	51,3%

2.4.2.6. Miscellaneous

2.4.2.6.1. Other off-balance sheet items

in thousand EUR

Group Recticel	31 DEC 2019	31 DEC 2018
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	87 331	102 916

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 61.7 million), lessors (EUR 15.4 million), governmental institutions (EUR 3.8 million) and other third parties (EUR 6.5 million).

2.4.2.6.2. Share-based payments

The Recticel Group has implemented a warrant plan for its leading managers.

The table below gives the overview of all outstanding subscription rights per 31 December 2019:

Issue	NUMBER OF SUBSCRIPTION RIGHTS OUTSTANDING	EXERCISE PRICE	EXERCISE PERIOD	FAIR VALUE OF SUBSCRIPTION RIGHTS AT MOMENT OF ISSUE
April 2014	81 980	€ 5.64	01 Jan 18 - 28 Apr 20	€ 0.846
June 2015	174 000	€ 4.31	01 Jan 19 - 22 Jun 21	€ 0.513
April 2016	282 500	€ 5.73	01 Jan 20 - 28 Apr 25	€ 0.786
June 2017	360 000	€ 7.00	01 Jan 21 - 29 Jun 24	€ 0.928
April 2018	442 500	€ 10.21	01 Jan 22 - 24 Apr 25	€ 1.572
June 2019	492 500	€ 7.90	01 Jan 23 - 27 Jun 26	€ 1.181
Total	**1 833 480**			

All subscription rights have a vesting period of 3 years. Beneficiaries can lose the right to exercise their subscription rights in case of voluntary leave or dismissal for misconduct.

The expense recognised for the year for the share-based payments amounts to EUR 0.6 million (2018: EUR 0.7 million).

A more general overview showing the trend during 2019 is given below:

in units

Group Recticel	2019	2018
Total number of subscription rights outstanding per 31 December	1 833 480	1 657 193
Weighted average exercise price	€ 7.50	€ 7.02
Weighted average remaining contractual life (in years)	4.89	4.92
Movements in number of subscription rights		
Subscription rights outstanding at the beginning of the period	1 657 193	1 965 262
New subscription rights granted during the period	500 000	460 000
Subscription rights forfeited and expired during the period	(153 286)	(317 414)
Subscription rights exercised during the period	(170 427)	(450 655)
Subscription rights outstanding at the end of the period	1 833 480	1 657 193
Status of subscription rights outstanding		
Closing share price at end of period	€ 8.31	€ 6.39
Total number of subscription rights exercisable at the end of the period	255 980	165 693
Total number of subscription rights that are 'in-the-money' at the end of the period *	898 480	1 197 143
Total number of subscription rights that are exercisable and 'in-the-money' at the end of the period *	255 980	165 693

* in comparison with the average closing price over the period

The table below gives the overview of all subscription rights exercised during the period:

in units

Group Recticel	2019	2018
Total number of subscription rights exercised	170 427	450 655
Weighted average exercise price	€ 4.80	€ 6.85
Period during which these subscription rights were exercised	2 March - 20 December	29 March - 18 December
Average closing price of period during which these subscription rights were exercised	€ 7.83	€ 9.11
Average daily closing price for full year	€ 6.11	€ 9.08

To date, the Group has not issued share appreciation rights to any of its managers or employees, nor has it implemented any share purchase plan.

The theoretical value of the subscription rights at issuance is calculated by applying the Black & Scholes formula, and taking into account certain assumptions regarding dividend payment (last dividend compared to share price - dividend yield: 3.07%), interest rate (Euribor 5 years: 0.00%) and volatility (stock market data on the Recticel share: 26.5%). For the issue of June 2019, the fair value amounted to EUR 1.181 per subscription right.

Overview of the outstanding subscription rights held by the members of the current Management Committee: (per 31 December 2019)

in units

Issue[a]	NUMBER OF SUBSCRIPTION RIGHTS HELD BY THE MEMBERS OF THE CURRENT MANAGEMENT COMMITTEE
April 2014	35 442
June 2015	80 000
April 2016	165 000
June 2017	260 000
April 2018	325 000
June 2019	390 000
Total	**1 255 442**

[a] the conditions of the various issues are reflected in the global overview table herabove.

Members of the Management Committee received the following subscription rights for the 2019 series:

Name	TOTAL NUMBER OF SUBSCRIPTION RIGHTS	TOTAL THEORETICAL VALUE OF SUBSCRIPTION RIGHTS AT ISSUANCE (*)
Olivier Chapelle	120 000	€ 141 720
Ralf Becker	30 000	€ 35 430
Betty Bogaert	30 000	€ 35 430
François Desné	30 000	€ 35 430
Jean-Pierre De Kesel	30 000	€ 35 430
Bart Massant	30 000	€ 35 430
Jean-Pierre Mellen	30 000	€ 35 430
Jan Meuleman	30 000	€ 35 430
François Petit	30 000	€ 35 430
Dirk Verbruggen	30 000	€ 35 430
Total	**390 000**	**€ 460 590**

(*) The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain assumptions regarding dividend yield, interest rate and volatility.

2.4.2.6.3. Events after the reporting date

There were three material post reporting date events after 31 December 2019 :

- ***COVID-19***

In response to the COVID-19 outbreak the first concern has been to take all necessary precautionary measures to keep our employees healthy and ensuring a safe workplace. Recticel has implemented strict behavioral and precautionary measures, in line with the recommendations issued by the governments of the countries in which it operates and by the World Health Organization, in order to minimize contamination risks.

While our Automotive activities in China have returned to pre COVID-19 levels, our Automotive activities in Europe and USA are temporarily shut down as most OEMs have shut their assembly plants. In the other business segments, customer demand has been rapidly decreasing and is expected to reach its bottom in April before progressively recovering thereafter. As a consequence, after having drastically adapted our production levels to match demand, we are now planning for a progressive restart of our commercial and manufacturing operations in the countries and segments where they had been curtailed.

Temporary unemployment has been implemented to the maximum extent, where applicable. Also, top management remuneration has temporarily been reduced as a token of solidarity.

In response to this unprecedented environment, capital expenditure is reduced to the minimum, and all non-essential projects have been put on hold.

Since there is no clarity at the moment of issuance of this Annual Report as to what extent and within which timeframe the markets will recover from the COVID-19 crisis, it is impossible to predict its ultimate impact. However, we expect that the consequences of the measures taken to contain the virus will significantly impact our financial performance of 2020.

- ***Divestment Automotive Interiors division and 50% stake in the Eurofoam Flexible Foams joint venture***

On 6 April 2020 the Group entered into a binding agreement in order to bring the Automotive Interiors business in a new joint venture under the control of Munich-based privately owned investment company Admetos GmbH. In addition, Recticel has also reached a binding agreement with Greiner AG to divest its 50% participation in the Eurofoam joint venture. Following the divestment of the Proseat activities in 2019, these two deals will fundamentally refocus Recticel on its higher value added activities, and provide increased flexibility to pursue strategic development opportunities in the future.

Automotive Interiors

Under the terms of the agreement the Automotive Interiors division will be transferred to a new joint venture holding company, controlled by Admetos who will own 51% of its shares, with Recticel detaining the other 49%. The new joint venture will allow Automotive Interiors to build on its leading patented interior trim technology, to further develop its customer base, and to expand its geographic reach.

The agreement contains reciprocal call/put options for Admetos to acquire, or Recticel to sell, its remaining 49% share, exercisable as from March 2024 at a price calculated on the basis of a pre-agreed EBITDA multiple.

Eurofoam

Recticel reached an agreement to sell its 50% stake in Eurofoam to its joint-venture partner Greiner AG. The Eurofoam joint venture was established in 1992 to develop flexible foams activities in Eastern Europe. In 1997, the joint venture was extended by both partners' contribution of their existing activities in Austria and Germany.

Financial impacts on the Recticel Group

Both transactions are expected to close in the course of the second quarter of 2020, subject to customary closing conditions, mainly the approval by the anti-trust authorities.

While the Automotive Interiors transaction will generate a loss, the closing of the two transactions will allow Recticel to realise in aggregate a net capital gain in the region of EUR 85 million and estimated net cash proceeds of EUR 210 million. Additionally, these transactions will lead to the transfer of EUR 36 million of lease obligations (IFRS 16).

Consequently Recticel Group will be in a solid financial position to optimally drive its strategic expansion.

Material judgements and estimates

The abovementioned subsequent events are non-adjusting events with regard to the current financial statements. Consequently, the main judgements and estimates made in establishing the 2019 financial statements, relating mainly to impairment testing of goodwill and non-current assets, as well as the determination of deferred tax assets, were made without considering their impact.

Liquidity – Going-concern

The Group liquidity is ensured by the available credit facilities, with a headroom per 15 April 2020 of about EUR 130 million drawable at short notice under our Group 'club deal' Credit Facility, the available bilateral credit lines and our factoring program, for which the availability follows the evolution in factorable receivables.

Considering the potential negative impact of the COVID-19 crisis on EBITDA over the period until June 2020, on the basis of impact simulations and stress tests, and without taking into account the cash proceeds expected from the two announced divestments, the Group anticipates that one financial covenant may not be respected on the next measurement date, being 30 June 2020. However, when taking into account the debt reduction as a result of the anticipated EUR 210 million cash proceeds from the two announced divestments, which are expected to be closed by June 30, 2020, all financial covenants are to be met.

In the unlikely case where any of the financial covenants would not be met on June 30, 2020 the Group intends to request, and is confident to obtain, a waiver from the banks participating in the 'club deal'.

It is also the Group's intention to refinance the 'club deal' facility, which will come to maturity in February 2021, taking into account its future financing needs and, after collection of the cash proceeds from the divestments, to arrange for adequate credit facilities as may be required to allow the financing of the intended expansion of its core activities.

After having assessed the likely negative consequences of the COVID-19 crisis including careful consideration of:

- the assumptions taken in the simulation and stress test performed as well as the related uncertainties, being the unknown length and depth of the economic crisis;
- the ability of the company to generate the expected cash proceeds from the announced divestments;
- the ability of the company to obtain a waiver in case a breach of covenant would materialize;
- the ability of the company to refinance the 'club deal' facility in February 2021;

the Board, in its session of 27 April 2020, reconfirmed its assessment that the Group is able to continue as a going-concern.

2.4.2.6.4. Related party transactions

Transactions between Recticel s.a./n.v. and its subsidiaries, which are related parties, have been eliminated in the consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below, and concern primarily commercial transactions done at prevailing market conditions. The tables below include only transactions considered to be material, i.e. exceeding a total of EUR 1 million.

Transactions with joint ventures and associates: 2019

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	COST OF SALES
Total Proseat companies	8 500	1 756	0	66	(0)	40 565	0
Total Orsafoam companies	0	26	152	229	1	133	(22)
Total Eurofoam companies	0	1 776	42	824	0	22 964	(10 728)
TOTAL	**8 500**	**3 558**	**194**	**1 118**	**1**	**63 662**	**(10 749)**

Following the partial divestment from the Proseat group, revenues from Proseat companies relate to the sale of chemical raw materials at cost.

Transactions with joint ventures and associates: 2018

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	COST OF SALES
Total Proseat companies	4 078	2 885	6 260	18	8	30 362	0
Total Orsafoam companies	0	57	815	169	0	172	(40)
Total Eurofoam companies	0	1 807	42	1 266	0	29 167	(15 910)
Turvac	0	59	0	(2)	0	1	(68)
TOTAL	**4 078**	**4 808**	**7 117**	**1 451**	**8**	**59 703**	**(16 018)**

2.4.2.6.5. Remuneration of the Board of Directors and of the Management Committee

The remuneration of the members of the Board of Directors and of the Management Committee is included in this note. For more information, reference is made to the remuneration report in the section 'Corporate Governance' of this annual report.

Total gross remuneration for the members of the Board of Directors:

in EUR

Group Recticel	2019	2018
Director fees	165 000	165 000
Attendence fees Board of Directors	360 000	205 000
Attendence fees Audit Committee	42 500	50 000
Attendence fees Remuneration and Nomination Committee	45 000	22 500
Remuneration for special assignments	32 500	0
TOTAL	**645 000**	**442 500**

Total gross remuneration for the members of the Management Committee

in EUR

Group Recticel	2019	2018
Fixed remuneration	2 838 398	2 765 207
Variable remuneration	1 294 215	1 022 788
Pensions	418 419	354 937
Other benefits	309 636	280 761
Extraordinary items	1 695 553	0
TOTAL	**6 556 221**	**4 423 693**

2.4.2.6.6. Exchange rates

in EUR

Group Recticel		CLOSING RATE		AVERAGE RATE	
		2019	2018	2019	2018
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.921319	0.887390	0.898918	0.865832
Yuan Renminbi	CNY	0.127869	0.126983	0.129274	0.128072
Czech Crown	CZK	0.039358	0.038874	0.038955	0.038991
EURO	EUR	1.000000	1.000000	1.000000	1.000000
Pound Sterling	GBP	1.175364	1.117905	1.139250	1.130319
Forint	HUF	0.003025	0.003115	0.003074	0.003136
Indian Rupee	INR	0.012471	0.012542	0.012685	0.012386
Yen	JPY	0.008201	0.007946	0.008196	0.007669
Moroccan Dirham	MAD	0.093962	0.091303	0.092776	0.090841
Norwegian Krone	NOK	0.101381	0.100520	0.101512	0.104194
Polish Zloty	PLN	0.234918	0.232482	0.232687	0.234660
Romanian Leu	RON	0.209074	0.214431	0.210733	0.214868
Serbian Dinar	RSD	0.008513	0.008461	0.008497	0.008469
Russian Rouble	RUB	0.014295	0.012545	0.013802	0.013506
Swedish Krona	SEK	0.095723	0.097515	0.094437	0.097482
Turkish Lira	TRY	0.149604	0.165049	0.157288	0.175203
Ukrainian Hryvnia	UAH	0.037442	0.031812	0.035520	0.031902
US Dollar	USD	0.890155	0.873362	0.893276	0.846773

2.4.2.6.7. Staff

in units

Group Recticel	31 DEC 2019	31 DEC 2018
Management Committee	10	10
Employees	2 250	2 366
Workers	3 842	4 108
Average number of people employed (full time equivalent) on a consolidated basis (i.e. excluding joint ventures)	**6 102**	**6 484**
Remuneration and social charges (in thousand EUR)	**300 079**	**291 647**
Average number of people employed in Belgium	1 047	1 058

The increased cost for remuneration and social charges is explained by salary inflation as well as the cost of lay-offs.

2.4.2.6.8. Audit and non-audit services provided by the statutory auditor

Overview of the audit fees and additional services performed for the Group by the auditor and companies related to the auditor for the year ending 31 December 2019.

in thousand EUR

Group Recticel	DELOITTE	OTHERS
Audit fees	837	543
Other audit services and legal missions	128	12
Tax services	5	151
Consulting services	34	6
Total fees in 2019	**1 004**	**710**

In the above overview the fees of the joint venture companies are included at 100%.

2.4.2.6.9. Contingent assets and liabilities

- ***Tertre (Belgium)***

1. Carbochimique, which was progressively integrated into the Recticel Group in the 1980s and early 1990s, owned an industrial site in Tertre (Belgium), where various carbochemical activities had been carried on since 1928. These activities were gradually spun off and sold to other industrial companies, including Yara and Prince Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old dumping sites and settling ponds that have been drained.

   In 1986, Recticel sold its "fertilizer" division, in particular the activities of the Tertre site, to Kemira, now acquired by Yara. As part of this agreement, Recticel undertook to set an old basin ("Valcke Basin"), in line with environmental regulations. This requirement was not yet performed because of the mutual dependence of the environmental conditions within the industrial site in Tertre. Yara sued Recticel for precautionary reasons pursuant to this obligation in July 2003. Both parties negotiated and signed a settlement agreement in the course of 2011, which ended the dispute.

   Under the settlement agreement Yara and Recticel committed to prepare together a recovery plan for four contaminated areas of the industrial area in Tertre, including the Valcke Bassin and a dump site of Finapal, and agreed on the cost split thereof.

   This plan was approved in December 2013 by Ministerial Order of the Walloon Government, and the specification book was likewise prepared by both parties and approved by the authorities. End December 2015 Ecoterres was appointed as contractor. The works were started in 2016 and the end of the works is expected by end 2020.

2. Following the sale of the entity Sadacem to the French group Comilog, now part of the group Eramet, Recticel committed itself to sanitise, on a shared cost basis, an old industrial waste site on the grounds of Prince Erachem. The start of the execution of this commitment was studied in consultation with the entity Prince Erachem and has been provisioned in the accounts of the Recticel Group. A proposal was submitted to the Office Wallon des Déchets in April 2009 and since been approved.

   The implementation of the restructuring plan started in 2013 and has been completed as planned. The clean-up works were completed in 2017 but are still subject to a monitoring phase during 3 years.

- ***Litigations***

The Group has been the subject of an antitrust investigation at European level. Recticel announced on 29 January 2014 that a settlement was reached with the European Commission in the polyurethane foam investigation. The case was closed after payment of the last instalment of the effective overall fine in April 2016.

Various claims have been issued by one or more customers, in which these entities allege harm with regard to the conduct covered by the European Commission's cartel decision. Some procedures have been ended or concluded in the course of 2016-2018, with one court procedure on-going in Germany linked to Eurofoam, and one court procedure recently launched in the United Kingdom. No additional new claims are to be expected as these have now all become time-barred.

While Recticel believes there to be no harm done, and it is up to the customer to prove any damage incurred, Recticel carefully reviews and evaluates the merits for each case with its legal advisors to determine the appropriate defensive strategy and recognises, where appropriate, provisions to cover any legal costs in this regard.

Regarding the on-going litigation no considered judgment can at this stage be formed on the outcome of these procedures or on the amount of any potential loss for the company.

One of our Group entities in the United Kingdom is the subject of an HSE investigation following the accidental death of one of its employees. It cannot be excluded that further procedural steps might be taken by the authorities, leading to prosecution, legal costs and fines.

One of the Group's entities in France is implicated in a labour law case following the closure of a production site, whereby the former employees have launched a claim to obtain additional compensations, on the basis that the economic reasons for the closure were invalid.

Following the fire incident in Most (Czech Republic), the involved Group entity has been temporarily unable to supply the contractually agreed quantities of products, leading to production interruptions at the direct customers and the car manufacturers. While the Group entity involved have claimed Force Majeure in this respect, this has been put in question or even contested by a number of customers, with indication that further claims could be raised to obtain damage compensation. While the Group is insured in this regard in line with industrial standards, it cannot be excluded that such claims could lead to financial losses for the group companies involved. One customer has launched a legal proceeding in France in the course of the first semester of 2019.

On 31 May 2019, Greiner AG launched an arbitration proceeding against Recticel SA/NV, claiming that Recticel supplied excess quantities of foam to its Bedding subsidiaries located in the territory of the Eurofoam joint venture, in breach of the 1997 Joint Venture agreement and requesting compensation for damages in this regard. Recticel considers this claim to be without merit and will defend its position.

As of 31 December 2019, total overall provisions and accruals for other litigations, environmental risk and other risks on Recticel Group level amounted to EUR 3.9 million in the consolidated financial statement (or EUR 5.0 million in the combined financial statements). With reference to the prejudicial exemption in IAS 37 §92, the Group will not disclose any further information about the assumptions for the provision, including any details about current and the expected number of lawsuits and claims.

The disclosure of such information is believed to be detrimental to the Group in connection with the ongoing confidential negotiations and could inflict financial losses on Recticel and its shareholders.

2.4.2.6.10. Reconciliation table of Alternative Performance Measures

The Group uses and publishes several Alternative Performance Measures ("APM") to provide additional valuable insight to financial analysts and investors. APMs are related to the standards used by management to monitor and measure financial performance.

The overview tables below summarise the reconciliation of these APMs in respectively the income statement and the statement of financial position.

in thousand EUR

	31 DEC 2019			31 DEC 2018		
	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED
Income statement						
Sales	1 220 949	(182 432)	1 038 517	1 448 264	(330 612)	1 117 652
Gross profit	219 118	(27 824)	191 294	239 499	(37 876)	201 623
EBITDA	105 641	(10 377)	95 264	93 353	(12 853)	80 500
EBIT	40 260	(3 112)	37 148	47 046	(4 099)	42 947

EBIT	**40 260**	**(3 112)**	**37 148**	**47 046**	**(4 099)**	**42 947**
Amortisation intangible assets	3 701	(1 034)	2 667	4 167	(1 538)	2 629
Depreciation tangible assets	33 388	(4 282)	29 107	34 080	(6 712)	27 368
Depreciation right-of-use assets	24 611	(1 982)	22 630	0	0	0
Impairments on goodwill, intangible and tangible fixed assets	1 821	0	1 821	5 783	36	5 819
Amortisation other operational assets [1]	1 860	32	1 892	2 276	(539)	1 737
EBITDA	**105 641**	**(10 377)**	**95 264**	**93 353**	**(12 853)**	**80 500**

[1] Mainly the release of upfront payments in Automotive to profit and loss account.

EBITDA	**105 641**	**-**	**-**	**93 353**	**-**	**-**
Net impact of fire incident in Most	0	-	-	(5 639)	-	-
Restructuring charges	11 215	-	-	10 103	-	-
Gain/(loss) on disposals	(5 904)	-	-	0	-	-
Other	3 782	-	-	5 977	-	-
Adjusted EBITDA	**114 735**	**-**	**-**	**103 794**	**-**	**-**

See note 2.4.2.3.1.

EBIT	**40 260**	**-**	**-**	**47 046**	**-**	**-**
Net impact of fire incident in Most	0	-	-	(5 639)	-	-
Restructuring charges	11 215	-	-	10 103	-	-
Gain/(loss) on disposals	(5 904)	-	-	0	-	-
Other	3 782	-	-	5 977	-	-
Impairments	1 821	-	-	5 783	-	-
Adjusted EBIT	**51 175**	**-**	**-**	**63 270**	**-**	**-**

See note 2.4.2.3.1.

Total net financial debt						
Non-current financial liabilities	118 714	(18 380)	100 334	47 205	(12 499)	34 706
Current financial liabilities	122 651	(5 236)	117 415	90 437	(2 237)	88 200
Cash	(60 210)	11 731	(48 479)	(36 780)	(953)	(37 733)
Other financial assets [1]	(709)	(3)	(712)	(691)	83	(608)
Net financial debt on statement of financial position	**180 446**	**(11 888)**	**168 558**	**100 171**	**(15 606)**	**84 565**
Factoring programs	47 049	3	47 051	51 320	0	51 320
Total net financial debt	**227 494**	**(11 885)**	**215 609**	**151 491**	**(15 606)**	**135 885**

[1] Hedging instruments and interest advances

Gearing ratio (Net financial debt / Total equity)						
Total equity	275 397	0	275 397	264 978	0	264 978
Net financial debt on statement of financial position / Total equity	65.5%	-	61.2%	37.8%	-	31.9%
Total net financial debt / Total equity	82.6%	-	78.3%	57.2%	-	51.3%

in EUR

in thousand EUR

	31 DEC 2019			31 DEC 2018		
	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED
Leverage ratio (Net financial debt / EBITDA)						
EBITDA	105 641	(10 377)	95 264	93 353	(12 883)	80 470
Net financial debt on statement of financial position / EBITDA	1.7	-	1.8	1.1	-	1.1
Total net financial debt / EBITDA	2.2	-	2.3	1.6	-	1.7

Net working capital						
Inventories and contracts in progress	-	-	101 797	-	-	103 789
Trade receivables	-	-	99 117	-	-	107 679
Current contract assets	-	-	11 300	-	-	13 782
Other receivables	-	-	20 119	-	-	26 245
Income tax receivables	-	-	1 449	-	-	5 587
Trade payables	-	-	(93 008)	-	-	(90 756))
Current contract liabilities	-	-	(32 832)	-	-	(44 964)
Income tax payables	-	-	(1 229)	-	-	(3 061)
Other amounts payable	-	-	(81 325)	-	-	(104 957)
Net working capital	**-**	**-**	**25 388**	**-**	**-**	**13 344**

Current ratio (= Current assets / Current liabilities)						
Current assets	-	-	300 600	-	-	344 958
Current liabilities	-	-	332 264	-	-	341 052
Current ratio (factor)	**-**	**-**	**0.9**	**-**	**-**	**1.0**

2.4.3. Recticel s.a./n.v. - General information

Recticel s.a./n.v.

Address: (until 31 May 2020)
Avenue des Olympiades, 2
B-1140 Brussels (Evere)

New Address: (as from 01 June 2020)
avenue Bourget, 42
B-1130 Brussels

Established: on 19 June 1896 for thirty years, later extended for an unlimited duration.

Object: (article 3 of the Coordinated Articles) The object of the company is the development, production, conversion, trading, buying, selling and transportation, on its own account or on behalf of third parties, of all plastics, polymers, polyurethanes and other synthetic components, of natural substances, metal products, chemical or other products used by private individuals or by industry, commerce and transport, especially for furniture, bedding, insulation, the construction industry, the automotive sector, chemicals, petrochemicals, as well as products belonging to or necessary for their production or which may result or be derived from this process.

It may achieve its object in whole or in part, directly or indirectly, via subsidiaries, joint ventures, participations in other companies, partnerships or associations.

In order to achieve this object, it can carry out all actions in the industrial, property, financial or commercial field which are associated with its object directly or indirectly, in whole or in part, or which would be of a nature to promote, develop or facilitate its operation or its trade or that of the companies, partnerships or associations in which it has a participation or an interest; it can in particular develop, transfer, acquire, rent, hire out and exploit all movable and immovable goods and all intellectual property.

Legal form: naamloze vernnootschap / société anonyme (limited company)

Recorded in the Brussels register of legal entities
Company number: 0405 666 668

Subscribed capital: EUR 138 493 598 (per 31 December 2019)

Type and number of shares: at 31 December 2019 there was only one type of shares, namely ordinary shares; total number of shares outstanding: 55 397 439

Portion of the subscribed capital still to be paid up:
0 shares/EUR 0.

Nature of the shares not fully paid up: none.

Percentage fully paid up: 100%. The shares are all fully paid up.

The accounts were prepared in accordance with requirements specified by the Royal Decree of 30 January 2001.

These annual accounts comprise the balance sheet, the income statement and the notes prescribed by law. They are presented hereafter in condensed form.

In accordance with Belgian law, the management report, the annual accounts of Recticel s.a./n.v. and the report of the Statutory Auditor will be filed with the Belgian National Bank.

They are available on request from:
Recticel s.a./n.v.
Corporate Communications

Address: (until 31 May 2020)
Avenue des Olympiades, 2
B-1140 Brussels (Evere)

New Address: (as from 01 June 2020)
avenue Bourget, 42
B-1130 Brussels

Tel.: +32 (0)2 775 18 11
Fax: +32 (0)2 775 19 90
E-mail: desmedt.michel@recticel.com

The notes to the annual accounts are related to the financial situation of the company as shown in the statement of financial position. The results are also commented on in the preceding annual report.

The Statutory Auditor has delivered an unqualified opinion on the statutory annual accounts of Recticel s.a./n.v..

The statutory annual accounts of Recticel s.a./n.v., as well as the statutory report by the Board of Directors, are freely available on the company's web site https://www.recticel.com/investors/annual-half-year-reports.html.

2.4.4. Recticel s.a./n.v. - Condensed statutory accounts

in thousand EUR

Group Recticel		31 DEC 2019	31 DEC 2018
ASSETS			
FIXED ASSETS		**383 880**	**354 873**
I.	Formation expenses	280	951
II.	Intangible assets	30 562	29 948
III.	Tangible assets	59 161	57 091
IV.	Financial assets	293 877	266 883
CURRENT ASSETS		**216 208**	**214 113**
V.	Amounts receivable after one year	23 435	13 138
VI.	Inventories and contracts in progress	24 467	20 945
VII.	Amounts receivable within one year	165 241	176 622
VIII.	Cash investments	1 398	1 398
IX.	Cash	275	182
X.	Deferred charges and accrued income	1 391	1 828
TOTAL ASSETS		**600 088**	**568 986**
LIABILITIES			
I.	Capital	138 494	138 068
II.	Share premium account	130 334	129 941
III.	Revaluation surplus	2 551	2 551
IV.	Reserves	15 046	14 053
V.	Profits (losses) brought forward	71 042	65 479
VI.	Investment grants	0	0
VII.	A. Provisions for liabilities and charges	6 999	7 522
	B. Deferred taxes	0	0
VIII.	Amounts payable after one year	39 432	14 080
IX.	Amounts payable within one year	188 562	189 403
X.	Accrued charges and deferred income	7 628	7 889
TOTAL EQUITY AND LIABILITIES		**600 088**	**568 986**

in thousand EUR

Group Recticel		31 DEC 2019	31 DEC 2018
PROFIT AND LOSS ACCOUNT			
I.	**Operating revenues**	**330 956**	**341 025**
II.	Operating charges	(323 237)	(325 265)
III.	**Operating profit (loss)**	**7 719**	**15 760**
IV.	Financial income	24 350	21 458
V.	Financial charges	(12 054)	(23 465)
VI.	**Profit (loss) for the year before taxes**	**20 015**	**13 753**
VII.	Income taxes	(164)	(911)
VIII.	**Profit (loss) for the year after taxes**	**19 852**	**12 842**
IX.	Transfer to untaxed reserves	0	0
X.	**Profit (loss) for the period available for appropriation**	**19 852**	**12 842**

The statutory annual accounts of Recticel s.a./n.v. as well as the statutory report by the Board of Directors, is freely available on the company's web site www.recticel.com.

Profit appropriation policy

The General Shareholders Meeting decides on the appropriation of the profit available for the distribution of a dividend based upon a proposal by the Board of Directors. The Board of Directors intends to propose to pay out a stable or gradually increasing annual dividend, considering the following elements:

- proper compensation for the shareholders
- retention of adequate self-financing capacity to enable investment in value creation opportunities.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

in EUR

Group Recticel		
Profit/(Loss) for the financial year		19 851 565.18
Profit/(Loss) brought forward from previous year	+	65 478 814.11
Profit/(Loss) to be added to legal reserves	-	992 578.26
Profit/(Loss) to be added to other reserves	-	0.00
Result to be appropriated	=	**84 337 801.03**
Gross dividend [1]	-	13 295 385.36
Profit to be carried forward	=	**71 042 415.67**

[1] Gross dividend per share of EUR 0.24, resulting in a net dividend after tax of EUR 0.168 per ordinary share.

2.4.5. Risk factors and risk management

Assisted in its work by the Audit Committee, the Board of Directors determines the Group's risk management policy, taking the significance of the general corporate risks that it is prepared to accept into account.

Business and management imply dealing with external and internal uncertainties. These uncertainties imply that decisions intrinsically involving potential risks are constantly being taken at all levels. For this reason, and also because a company must be able to achieve its objectives, it is important to outline, assess, quantify and grade corporate risks as precisely as possible. An appropriate, adapted risk management system that can also draw on efficient monitoring mechanisms and best practices must avoid any adverse effects of potential risks on the company and its value or at least control or minimise those effects.

RISK FACTORS

The items dealt with below are the most relevant risk factors for the Recticel Group, as defined during the assessment process described above.

1. The Group's investment programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns

The Group's businesses are, and will continue to be, capital-intensive. A number of its plants have operated for many years, and a large part of the Group's capital expenditures relate to the repair, maintenance and improvement of these existing facilities.

The Group's investments programs in the field of repair, maintenance and improvements of its existing equipment and facilities are subject to the risk of incorrect or inadequate evaluation. As a result, these investment programs may suffer from delays or other complications, and may not achieve the return projected at the beginning of such programs. Furthermore, the Group's actual expenditures may ultimately reveal to be higher than budgeted for various reasons beyond its control. Such cost increases may be material and may have a material adverse effect on its business, financial condition, operating results and cash flows.

2. Price volatility of major chemicals

As a producer and converter of polyurethane foam and other products, the Group is sensitive to fluctuations in the prices of chemical raw materials, in particular those chemical raw materials used for the production of polyurethane. The main chemical raw materials used by the Group are polyols and isocyanates (TDI and MDI). Although these base materials are petroleum derivatives, and hence follow the evolution of the oil price, their price evolution may differ from that of petroleum products on the global market. Excess volatility of raw materials prices or their scarcity or shortage may have a negative effect on Recticel's results and financial situation.

Chemical raw materials represent, on average, nearly 39% of the cost of sales of the Group's finished products. For certain flexible foam and insulation applications, this share is even higher.

These raw materials are purchased on the open market. The Group has to date not hedged its commodity risk.

The purchase of chemical raw materials is centralised, and the relevant central department negotiates the supply contracts. The centralised approach allows better negotiation power and continuous optimisation.

Although the Group monitors raw material price developments and tries to reflect price increases in its sales prices when appropriate, ultimately the extent to which such increased chemical raw material prices can be charged to customers depends on the commercial negotiations with customers and competition on the market. There may be periods of time in which the Group is not able to timely or fully recover increases in the cost of chemical raw materials due to weakness in demand for its products or the actions of its competitors. On the other hand, during periods in which market prices of Group's chemical raw materials fall, the Group may face demands from its customers to reduce its prices or experience falls in demand for its products while customers delay orders in anticipation of price reductions.

3. The Group may be subject to the risk of not identifying an M&A opportunity or not being able to afford it

Making acquisitions are an integral part of the Group's growth strategy. There can be no assurance that any of these transactions will be realised or, if realised, will be beneficial to the Group.

The Group continues to explore additional opportunities to implement its strategy which may require substantial investment and subsequent capital expenditures. To date, the Group has been able to fund its capital investment projects through cash generated from its internal operations and debt financing. If the Group's cash flows were reduced or if it were to make further acquisitions, the Group would need to seek to fund its cash requirements through additional debt and equity financing or through asset divestitures.

4. If the Group fails to identify, develop and introduce new products successfully it may lose key customers or product orders and its business could be harmed

The Group regularly introduces new products, such as Thermoflex® in its Business Line Flexible Foams, the ingredient GELTEX® inside brand in its Business Line Bedding, Lambda 19 Eurowall® Xentro® and Eurofloor Xentro® in its Business Line Insulation and Colo-Sense Lite® in its Business Line Automotive.

The Group competes in industries that are changing and becoming more complex. The Group's ability to achieve a successful evolution development of its existing products to new offerings and differentiation of its products requires that accurate predictions of the product development schedule as well as market demand are made. The process of developing new products is complex and often uncertain due to the frequent introduction of new products by competitors. The Group may anticipate demand and market acceptance that differs from the product's realisable customer demand and revenue stream. Furthermore, in the face of intense industry competition, any unanticipated delay in implementing certain product strategies or in the development, production or marketing of a new product could adversely affect the Group's revenues.

The Group invests constantly in the development of new products. These investments are subject to a number of risks, including: difficulties and delays in the development, production, testing and marketing of products; customer acceptance of products; resources to be devoted to the development of new technology; and the ability to differentiate the Group's products and compete with other companies which are active in the same markets.

The Group's ability to generate future revenue and operating income depends upon, among other factors, its ability to timely develop products that are suitable for manufacturing in a cost-effective manner and that meet defined product design, technical and performance specifications.

All these factors could have a material adverse impact on the Group's business, operations and financial results.

5. The Group may be subject to misconduct by its employees and managers or third party contractors

The Group may be subject to misconduct by its employees and managers or third-party contractors, such as theft, bribery, sabotage, violation of laws or other illegal actions and may be exposed to the risk of stoppages by third parties, such as transport companies. Any such misconduct may lead to fines or other penalties, slow-downs in production, increased costs, lost revenues, increased liabilities to third parties, impairment of assets or harmed reputation, any of which may have a material adverse effect on the Group's operations, business and financial results.

The Group has developed various internal initiatives to limit the risk of misconduct of its own employees and managers. These initiatives include the reinforcement of the internal audit function, the setting up of a Compliance Committee whose role is to investigate matters reported to it, as well as the organisation, on a regular basis, of various internal training sessions for employees aimed at increasing awareness on compliance. However, there can be no assurance that such initiatives will result in effectively preventing any misconduct by its employees and managers.

Furthermore, such initiatives are not aimed at third party contractors, as a result of which the Group relies on the third-party contractors' capacity to prevent misconduct by their own employees and managers.

6. Evaluation of projects and investments

The Group may be subject to the risk that an innovation project fails and that the innovation investments do not achieve the target to contribute to a sustainable revenue growth or cost effectiveness, including the risk of not having the right human resources to achieve the incremental changes needed to achieve the innovation strategy.

7. Failure to obtain the needed chemical raw materials

The Group has negotiated yearly or multi-year supply agreements with important suppliers to secure more than half of its yearly supplies of isocyanates. The supply of polyols is for a minority share secured under yearly supply agreements. The Group sources its remaining chemical raw materials essentially from suppliers with whom it has a long-term relationship, but with monthly or quarterly price and volume negotiations.

Notwithstanding the existence of long-term supply agreements for certain chemical raw materials, the risk of a delivery disruption of chemical raw materials cannot be excluded. Such delivery disruptions may result from, amongst others, a major accident or incident in a supplier's processing plant, transportation problems or any other fact or circumstance that can give rise to a force majeure situation. In such case, there can be no assurance that the Group can source alternative supplies of chemical raw materials on a timely basis and at acceptable conditions or at all, which could have a material adverse impact on the Group's business, operations and financial results. Neither can it be excluded that a decrease in volumes of raw material procurement (i.e. due to market trends) could have an impact on raw material prices or that it could incite suppliers to end their supplies to the Group, the latter scenario forcing the Group to search for other suppliers, which may not be available on a timely basis or at an acceptable conditions or at all. This could have a material adverse impact on the Group's business, operations and financial results.

8. Safety, health and the environment - new regulations and its impacts

Due to the nature of its activities, the Recticel Group is exposed to environmental risks. The Group uses potentially hazardous products (chemicals and the like) as part of its development activities and manufacturing processes. Pollution can never be ruled out. The Group prevents pollution by adopting appropriate industrial policies. Scenarios precisely outlining the modus operandi for tackling this type of crisis and managing the consequences thereof have been circulated throughout the organisation.

It goes without saying that the handling of these same products constitutes a health risk for staff, customers and any other visitor, particularly in the event of failure to comply with the safety rules issued by Recticel.

Due to new regulations, the Group may face the risk that these new regulations may have a significant negative business impact.

Failure to comply with the various laws and regulations governing the Group's activities is likely to have a negative impact on these activities and invoke its liability.

These activities are particularly subject to various environmental laws and regulations that are likely to expose the Group to major compliance costs or legal proceedings.

The Group further operates in some countries in old industrial sites, already operational at a time when no or insufficient environmental legislation was in place, potentially leading to historic pollution, for which the Group may be held liable leading to important compliance or clean-up costs.

Furthermore, the Group may incur other major costs following the non-fulfilment of its contractual obligations or also in cases where the negotiated contractual provisions in place prove to be insufficient, or even inadequate.

9. The risk that the importance of certain stakeholders is underestimated when making strategic decisions

The Group is exposed to the risk that the importance of certain stakeholders is underestimated when making important strategic decisions for the Group. This could lead to resistance and put at risk the implementation of the strategy.

10. Risks relating to not fully analysing the investment decisions

The Group may face difficulties if investment decisions have not been fully analysed and as such lead to unsuccessful investments not reaching the initial objectives, as well as the risk that investment capacity is absorbed by one business unit, not leaving sufficient investment fund for more profitable investments in other business segments.

11. Risks relating to sub-optimal execution of transactions

The Group is subject to the risk of a suboptimal execution of transactions due to the lack of preparation, communication and/or project management. Although the Group has developed M&A guidelines, there is no assurance that these risks will not materialise, and if so, this might have a material adverse effect on the Group's operations, business and financial results.

12. The Group's results may be substantially affected by general macroeconomic trends and the level of activity in its industries

The Group is exposed to the risks related to an economic recession. Economic factors outside of the Group's control (including slowing economic growth, particularly in Europe where the Group realises approximately 89% of its consolidated turnover, inflation or deflation or fluctuations in interest and foreign currency exchange rates) could affect the Group's financial results and prospects.

There is a risk that certain markets in which the Group is active will experience economic decline or a prolonged period of negligible growth in the future. The current uncertainty about economic recovery and the pace of growth may negatively affect the level of demand from existing and prospective customers. Additional factors which may influence customer demand include access to credit, budgetary constraints, unemployment rates and consumer confidence.

13. Product liability

The Group produces and sells both semi-finished and finished consumer durable goods (bedding and insulation). In both cases, the Group is exposed to any complaints relating to product liability. Recticel tries to offset or limit these risks by means of product guarantees provided for in the conditions of sale and through the application of a strict quality control system. To protect itself from the adverse effects of product liability, the Group has put in place general and product-specific insurance policies.

14. The implementation of the Group's business strategy is dependent on its ability to attract and retain qualified personnel

The Group's ability to maintain its competitive position and to implement its business strategy will largely depend on its ability to attract and retain skilled personnel and management. The loss or diminution in the services of skilled employees and management, or difficulties in recruiting or retaining them, could have a material adverse effect on the Group's operations, business and financial results. Competition for personnel with relevant expertise is intense due to the relatively small number of qualified individuals, and the Group may have difficulties in obtaining or enforcing non-compete obligations from its skilled personnel and management, all of which may seriously affect the Group's ability to retain existing skilled employees and management and attract additional qualified personnel. If the Group were to experience difficulties in recruiting or retaining qualified personnel, this could have a material adverse effect on the Group's operations, business and financial results.

15. Brexit

The turnover of the Group in the UK represents approximately 11% of the total combined sales. The products the Group sells in the UK are mainly produced locally. The direct impact of Brexit concerns (i) the import of chemical raw materials necessary for local production, as these raw materials are not available in the UK, and (ii) a currency exchange rate risk. Given the broad uncertainty surrounding the Brexit issues, it is currently not possible to provide meaningful comments and conclusions about its possible impacts.

16. COVID-19 (Corona virus)

Given the broad uncertainty surrounding COVID-19 on medium and long-term consumer confidence and demand, it is currently not possible to provide meaningful comments and conclusions about its potential impact on business fundamentals, prospects and financial position of the Group. The various business interruption continuity plans in place are regularly updated and effectively deployed when needed. See also note 2.4.2.6.3. - Events after the reporting date.

RISK MONITORING

Operational and industrial risks are usually covered by centrally managed insurance contracts. The conditions governing these contracts are reviewed on a regular basis. Recticel owns a reinsurance subsidiary, whose principal task consists of reinsuring the Group's own risk associated with the excesses that are payable by the Group under external insurance policies.

The risks and uncertainties for which provisions have been raised in accordance with IFRS rules are explained under the heading 2.4.2.5.14. of the financial section of the annual report. More precisely, these are provisions for litigation, product guarantees, environmental risks and reorganisation charges.

Recticel's Internal Audit Department is involved in implementing control procedures in the broadest sense and ensures that they are complied with. It also plays a major role in the permanent monitoring of corporate risks and contributes to the basic considerations regarding these risks in the Group.

2.4.6. Declaration by responsible officers

Mr Johnny Thijs (Chairman of the Board of Directors), Mr Olivier Chapelle (Chief Executive Officer) and Mr Jean-Pierre Mellen (Chief Financial Officer), declare that:

- the annual accounts, which have been drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, the financial situation and the results of Recticel and the consolidated companies;
- the report for the 12 months ending on 31 December 2019 gives a true and fair view of the development and the results of the company and of the position of Recticel and the consolidated companies, as well as a description of the principal risks and uncertainties confronting them.

2.4.7. Auditor's report on the consolidated financial statements for the year ending 31 December 2019

Statutory auditor's report to the shareholders' meeting of Recticel NV for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Recticel NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 28 May 2019, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Recticel NV for at least 22 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 802 469 (000) EUR and the consolidated income statement shows a profit (share of the group) for the year then ended of 24 762 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note II.4.2.6.3. of the consolidated financial statements, which describes the possible effects of the Covid-19 crisis on the future profitability and liquidity of the Group and the related risks and uncertainties. The board also mentions the current and planned measures, indicates that it is currently impossible to predict the ultimate impact of the Corona pandemic on the financial performance of the Group and explains the considerations used to support the going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment risk on goodwill related to the Flexible Foam UK CGU	
The group has 3 186 (000) EUR goodwill allocated to the UK flexible foam cash generating unit. Considering the historical financial performance, the substantial deviation of the expected financial performance from the budget and the uncertainties around Brexit, we considered the valuation of the goodwill as a key audit matter. The Group reviews the carrying amount of these non-current assets annually or more frequently when impairment indicators are present, by comparing it to the recoverable amount. Estimating the recoverable amount of the assets requires critical management judgement including estimates of future sales, gross margin, discount rate and the assumptions inherent in those estimates. The Group disclosed the nature and the value of the assumptions used in the impairment analyses in note II.4.2.1.4 of the consolidated financial statements.	We designed our audit procedures to be responsive to this key audit matter. We obtained understanding of the impairment assessment process and evaluated the design and implementation of the relevant key controls in place. In addition, we obtained management's impairment test, evaluated the reasonableness of estimates and judgments made by management and challenged them. Special focus was given to the key drivers of projected future cash flows, being amongst others estimated gross margin and the applied discount rate. We critically assessed the budget, taking into account the historical accuracy of the budgeting process. Auditor's valuation specialist has been involved to review the reasonableness of the discount rate. Moreover, we examined sensitivity analyses performed over changes in discount rate, gross margin and EBITDA and assessed the adequacy of the company's disclosure note to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment risk of property, plant and equipment relating to the interiors business	
Due to the nature of the interiors business, significant capital expenditure is involved. The recoverability of the investments is highly depending on the success of the related car models being produced within a specific factory. Due to the unpredictability and the volatility of the produced volumes, the current automotive market conditions and the substantial deviation of the expected financial performance from the budget, there is a risk for impairment if the projects are not generating sufficient future cash flows. The total net book value of the property, plant and equipment relating to the interiors business amounts to 84 444 (000) EUR, including the right of use assets. The group reviews the carrying amounts of the non-current assets when impairment indicators are present. Estimating the recoverable amount of the assets requires critical management judgement, including estimates of future sales, gross margin, discount rate and the assumptions inherent in those estimates. We refer to note II.4.2.1.4 in the consolidated financial statements.	We designed our audit procedures to be responsive to this key audit matter. We obtained understanding of the impairment assessment process and evaluated the design and implementation of the relevant key controls in place. In addition, we obtained management's impairment test for the plants where impairment indicators exist, evaluated the reasonableness of estimates and judgments made by management and challenged them. Special focus was given to the key drivers of projected future cash flows, being amongst others estimated gross margin and the applied discount rate. We pinpointed our procedures to those plants to those plants where the financial performance was substantially deviating from management's expectations. Auditor's valuation specialist has been involved to review the reasonableness of the discount rate. Moreover, we examined sensitivity analyses performed over changes in discount rate and gross margin and assessed the adequacy of the company's disclosure note to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Recoverability of deferred tax assets	
Per 31 December 2019, the group has deferred tax assets, mainly on tax losses carried forward, amounting to 24 108 (000) EUR. The analysis of the recognition and recoverability of the deferred tax assets is important to our audit because the amounts are material, the assessment process is judgmental and is based on assumptions that are affected by expected future market and economic conditions. Reference is made to note II.4.2.4.6 in the consolidated financial statements.	As a part of our audit, we discussed tax planning and potential issues relating to valuation of deferred tax assets with management. We tested the design and implementation of the management review control performed on the deferred tax balance. Furthermore, we performed substantive audit procedures on the analysis of the recoverability of the deferred tax assets based on the estimated future taxable income, principally by evaluating and testing the key assumptions used to determine the amounts recognized and by challenging them. In addition to the above, we assessed the adequacy of the company's disclosure note to the consolidated financial statements.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, i.e chapter I, chapter III and chapter IV, are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements that is part of section II.3 of the annual report. This non-financial information has been established by the company in accordance with the GRI Standards. In accordance with article 3:80, § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these GRI Standards.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Ghent, 28 April 2020

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Kurt Dehoorne

Deloitte.

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Member of Deloitte Touche Tohmatsu Limited

3. GLOSSARY

GENERAL CONCEPTS

Colo-Fast®	Aliphatic polyurethane that is distinguished by its colour fastness (light-stable)
Colo-Sense®	Variation of Colo-Fast®
Isocyanate	Highly reactive substance that easily combines with other substances (such as alcohols). The structure of these alcohols determines the hardness of the PU-foam
Lambda	Expression of the thermal conductivity of thermal insulation
MDI	Methylene diphenyl diisocyanate
PIR	Abbreviation for polyisocyanurate
Polyisocyanurate	Is an improved version of polyurethane. PIR-foam has an improved dimensional stability, excellent mechanical properties such as compressive strain and is a much stronger fire retardant. PIR is mainly used as thermal insulation
Polyol	Synonym for PU polyalcohol, which is acquired from propylene oxide
Polyurethane	Represents an important group of products within the large family of polymers or plastics. Polyurethane is a generic term for a wide range of foam types
PU or PUR	Polyurethane
SID	Is short for Sustainable Innovation Department, the department for international research and development of the Recticel Group
TDI	Toluene diphenyl diisocyanate

FINANCIAL CONCEPTS

• IFRS measures	
Consolidated (figures)	financial data following the application of IFRS 11, whereby Recticel's joint ventures are integrated on the basis of the equity method.
• Alternative Performance Measures In addition, the Group uses alternative performance measures (Alternative Performance Measures or "APM") to express its underlying performance and to help the reader to better understand the results. APM are not defined performance indicators by IFRS. The Group does not present APM as an alternative to financial measures determined in accordance with IFRS and does not give more emphasis to APM than the defined IFRS financial measures.	
Adjusted EBIT (previously labelled REBIT)	EBIT before Adjustments to EBIT
Adjusted EBITDA (previously labelled REBITDA)	EBITDA before Adjustments (to EBIT)
Adjustments to EBIT (previously "Non-recurring elements")	include operating revenues, expenses and provisions that pertain to restructuring programmes (redundancy payments, closure & clean-up costs, relocation costs,...), reorganisation charges and onerous contracts, impairments on assets ((in)tangible assets and goodwill), revaluation gains or losses on investment property, gains or losses on divestments of non-operational investment property, and on the liquidation of investments in affiliated companies, gains or losses on discontinued operations, revenues or charges due to important (inter)national legal issues.
Combined (figures)	financial data including Recticel's pro rata share in the joint ventures, after elimination of intercompany transactions, in accordance with the proportional consolidation method.
Current ratio	Current assets / Current liabilities
EBIT	Earnings before interest and tax. Earnings comprise income from joint ventures and associates
EBITDA	EBIT + depreciation, amortisation and impairment on assets.
Gearing	Net financial debt / Total equity
Leverage	Net financial debt / EBITDA
Net free cash-flow	Net free cash flow: is the sum of the (i) Net cash flow after tax from operating activities, (ii) the Net cash flow from investing activities and (iii) the Interest paid on financial liabilities; as shown in the consolidated cash flow statement.
Net financial debt	Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year + accrued interests – cash and cash equivalents + Net marked-to-market value position of hedging derivative instruments. The interest-bearing borrowings do not include the drawn amounts under non-recourse factoring/forfeiting programs
Net working capital	Inventories and contracts in progress + Trade receivables + Contract assets + Other receivables + Income tax receivables – Trade payables – Contract liabilities – Income tax payables – Other amounts payable
Total net financial debt	Net financial debt + the drawn amounts under off-balance sheet non-recourse factoring/forfeiting programs

4. KEY FIGURES 2010-2019

in thousand EUR

Group Recticel	31 DEC 2019 CONSOLIDATED	31 DEC 2018 CONSOLIDATED	31 DEC 2017 CONSOLIDATED	31 DEC 2016 CONSOLIDATED	31 DEC 2015 CONSOLIDATED	31 DEC 2014 CONSOLIDATED	31 DEC 2013 CONSOLIDATED	31 DEC 2012 COMBINED	31 DEC 2012 COMBINED	31 DEC 2011 COMBINED	31 DEC 2010 COMBINED
ASSETS											
Intangible assets	14 306	12 045	12 323	12 104	13 411	12 384	11 954	11 148	13 031	12 580	13 307
Goodwill	24 412	23 354	24 169	25 073	25 888	24 949	24 610	25 113	35 003	34 688	34 365
Property, plant & equipment	227 617	232 541	226 783	216 207	209 681	202 733	204 614	219 180	270 904	255 347	270 979
Right-of-use assets	105 110	0	0	0	0	0	0	0	0	0	0
Investment property	3 331	3 289	3 331	3 331	3 331	3 306	3 330	4 452	4 452	3 331	896
Investments in joint ventures and associates	65 465	68 631	76 241	82 389	73 196	73 644	72 507	69 123	13 784	12 957	15 451
Financial investments	580	63	64	71	30	160	161	236	240	3 399	1 151
Available for sale investments	0	728	603	410	1 015	771	275	111	122	121	86
Non-current contract assets	11 138	15 655	0	0	0	0	0	0	0	0	0
Non-current receivables	25 802	15 326	14 804	13 860	13 595	13 373	10 973	10 153	7 664	8 305	10 070
Deferred tax	24 108	20 468	26 241	37 820	43 272	46 834	48 929	49 530	45 520	50 290	55 739
Non-current assets	**501 869**	**392 099**	**384 559**	**391 265**	**383 419**	**378 154**	**377 353**	**389 046**	**390 720**	**381 018**	**402 044**
Inventories and contracts in progress	101 797	103 789	99 408	91 900	93 169	96 634	94 027	91 028	116 607	116 002	113 671
Trade receivables	99 117	107 680	110 935	101 506	83 407	78 109	64 516	78 359	114 540	132 910	141 783
Current contract assets	11 300	13 782	0	0	0	0	0	0	0	0	0
Other receivables	32 667	55 227	73 373	69 561	55 327	49 597	46 358	56 528	48 123	39 567	62 285
Income tax receivables	1 448	5 587	1 350	1 441	2 061	504	3 851	3 736	4 345	3 847	3 552
Available for sale investments	154	138	123	107	91	75	60	45	45	205	181
Cash and cash equivalents	48 479	37 733	57 844	37 174	55 967	26 163	26 237	18 533	27 008	54 575	53 938
Disposal held for sale	5 638	19 201	2 570	0	3 209	8 569	0	0	0	0	0
Current assets	**300 600**	**343 137**	**345 603**	**301 689**	**293 231**	**259 651**	**235 049**	**248 229**	**310 668**	**347 106**	**375 410**
Total assets	**802 469**	**735 236**	**730 162**	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**

in thousand EUR

Group Recticel	31 DEC 2019 CONSOLIDATED	31 DEC 2018 CONSOLIDATED	31 DEC 2017 CONSOLIDATED	31 DEC 2016 CONSOLIDATED	31 DEC 2015 CONSOLIDATED	31 DEC 2014 CONSOLIDATED	31 DEC 2013 CONSOLIDATED	31 DEC 2012 COMBINED	31 DEC 2012 COMBINED	31 DEC 2011 COMBINED	31 DEC 2010 COMBINED
LIABILITIES											
Capital	138 494	138 068	136 941	135 156	134 329	74 161	72 368	72 329	72 329	72 329	72 329
Share premium	130 334	129 941	127 982	126 071	125 688	108 568	107 042	107 013	107 013	107 013	107 013
Share capital	**268 828**	**268 009**	**264 923**	**261 227**	**260 017**	**182 729**	**179 410**	**179 342**	**179 342**	**179 342**	**179 342**
Treasury shares	(1 450)	(1 450)	(1 450)	(1 450)	(1 450)	(1 735)	(1 735)	0	0	0	0
Retained earnings	25 606	20 422	18 235	7 425	2 582	1 768	27 364	75 565	95 010	85 191	75 179
Hedging and translation reserves	(18 288)	(22 003)	(19 922)	(15 997)	(12 189)	(16 599)	(18 279)	(13 817)	(13 728)	(15 739)	(12 853)
Equity before non-controlling interests	**274 696**	**264 978**	**261 786**	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**
Non-controlling interests	701	0	0	0	0	0	0	0	0	0	0
Total equity	**275 397**	**264 978**	**261 786**	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**
Pensions and similar obligations	57 164	48 055	54 295	50 979	49 581	54 548	44 557	44 548	28 048	35 289	34 988
Provisions	6 905	13 775	14 266	13 208	11 505	7 301	8 149	9 439	9 798	12 964	24 452
Deferred tax	10 023	9 650	9 113	10 116	9 505	8 907	8 203	7 257	8 554	9 134	8 800
Non-current financial liabilities	**100 334**	**34 706**	**96 080**	**97 049**	**40 363**	**142 135**	**98 834**	**120 460**	**142 507**	**137 215**	**167 124**
Other amounts payable	43	202	230	183	226	6 810	444	704	501	353	510
Non-current contract liabilities	20 339	24 096	0	0	0	0	0	0	0	0	0
Non-current liabilities	**194 808**	**130 484**	**173 984**	**171 535**	**111 180**	**219 701**	**160 187**	**182 408**	**189 408**	**194 955**	**235 874**
Pensions and similar obligations	696	4 720	3 978	4 168	2 370	2 205	1 809	1 404	1 529	3 126	3 846
Provisions	5 759	3 116	1 155	1 780	4 566	4 687	6 732	1 255	1 523	6 328	14 480
Current financial liabilities	117 415	88 200	48 988	50 147	114 675	52 798	66 181	36 454	57 840	67 680	45 691
Trade payables	93 008	90 756	126 584	102 929	94 276	96 373	81 720	86 066	104 980	119 274	141 887
Current contract liabilities	32 832	44 964	0	0	0	0	0	0	0	0	0
Income tax payables	1 229	3 061	2 411	2 291	2 463	414	3 086	2 071	2 281	3 974	7 542
Other amounts payable	81 325	104 957	111 276	108 899	98 160	95 464	105 927	86 527	83 203	83 993	86 466
Current liabilities	**332 264**	**339 774**	**294 392**	**270 214**	**316 510**	**251 941**	**265 455**	**213 777**	**251 356**	**284 375**	**299 912**
Total liabilities	**802 469**	**735 236**	**730 162**	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**

in thousand EUR

Group Recticel	2019 CONSOLIDATED	2018 CONSOLIDATED	2017 CONSOLIDATED	2016 CONSOLIDATED	2015 CONSOLIDATED	2014 CONSOLIDATED	2013 CONSOLIDATED	2012 COMBINED	2012 COMBINED	2011 COMBINED	2010 COMBINED
INCOME STATEMENT											
Sales	**1 038 517**	**1 117 652**	**1 135 353**	**1 048 323**	**1 033 762**	**983 367**	**976 763**	**1 035 050**	**1 319 488**	**1 378 122**	**1 348 430**
Distribution costs	(60 840)	(59 973)	(61 952)	(57 855)	(58 039)	(54 135)	(52 934)	(54 460)	(65 838)	(65 182)	(64 768)
Cost of sales	(786 620)	(856 056)	(889 866)	(789 360)	(781 282)	(757 025)	(756 916)	(809 871)	(1 042 700)	(1 101 628)	(1 066 780)
Gross profit	**191 057**	**201 623**	**183 535**	**201 108**	**194 441**	**172 207**	**166 913**	**170 719**	**210 950**	**211 312**	**216 882**
General and administrative expenses	(73 561)	(70 562)	(78 426)	(79 395)	(76 723)	(72 299)	(74 397)	(66 772)	(83 711)	(85 059)	(80 367)
Sales and marketing expenses	(72 743)	(72 593)	(69 537)	(72 031)	(77 123)	(73 257)	(64 532)	(65 796)	(74 792)	(73 836)	(74 331)
Research and development expenses	(11 599)	(11 042)	(13 724)	(12 890)	(12 537)	(13 277)	(14 177)	(12 940)	(14 899)	(14 820)	(15 794)
Impairments	(1 821)	(5 819)	(7 009)	(1 672)	(983)	(688)	(3 365)	(1 110)	(1 555)	(5 260)	(10 800)
Other operating result	(3 456)	(8 830)	27 632	(12 828)	(10 714)	(12 869)	(31 766)	2 867	3 033	8 363	(10 075)
Income from joint ventures and associates	9 271	10 170	2 390	16 927	6 874	8 964	439	6 008	711	1 741	935
Income from investments	0	0	0	0	0	2	0	0	0	(406)	1 164
EBIT	**37 148**	**42 947**	**44 861**	**39 219**	**23 235**	**8 783**	**(20 885)**	**32 976**	**39 737**	**42 035**	**27 614**
Interest income and expenses	(6 986)	(3 272)	(6 460)	(8 095)	(9 554)	(10 031)	(9 405)	(9 320)	(11 889)	(13 270)	(11 770)
Other financial income and expenses	(1 241)	(614)	1 718	(3 633)	(2 968)	(2 799)	(1 940)	(2 271)	(2 450)	(3 414)	(5 325)
Financial result	**(8 227)**	**(3 886)**	**(4 742)**	**(11 728)**	**(12 522)**	**(12 830)**	**(11 345)**	**(11 591)**	**(14 339)**	**(16 684)**	**(17 095)**
Result of the period before taxes	**28 921**	**39 061**	**40 119**	**27 491**	**10 713**	**(4 047)**	**(32 230)**	**21 385**	**25 398**	**25 351**	**10 519**
Income taxes	(4 203)	(10 212)	(16 206)	(11 161)	(6 170)	(5 702)	(3 908)	(6 035)	(7 834)	(7 933)	4 108
Result of the period after taxes	**24 718**	**28 849**	**23 913**	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 627**
of which share of minority interests	(44)	0	0	0	0	0	0	0	0	0	188
of which share of the Group	24 762	28 849	23 913	16 330	4 543	(9 749)	(36 138)	15 350	17 564	17 418	14 439

Key Figures

in million EUR

Group Recticel	2015	2016	2017	2018	2019
Combined income statement					
Sales	1 328.4	1 347.9	1 460.8	1 448.3	1 221.0
Adjusted EBITDA	81.9	97.7	105.5	103.8	114.7
EBITDA	67.8	85.4	94.1	93.4	105.6
Adjusted EBIT	44.9	58.2	66.5	63.3	51.2
EBIT	29.8	44.3	48.1	47.0	40.3
Result of the period after taxes	4.5	16.3	23.9	28.8	24.7
Combined profitability ratios					
Adjusted EBITDA / Sales	6.2%	7.2%	7.2%	7.2%	9.4%
EBITDA / Sales	5.1%	6.3%	6.4%	6.4%	8.7%
Adjusted EBIT / Sales	3.4%	4.3%	4.6%	4.4%	4.2%
EBIT / Sales	2.2%	3.3%	3.3%	3.2%	3.3%
Result of the period after taxes (share of the Group) / Sales	0.3%	1.2%	1.6%	2.0%	2.0%
Annual growth rates (combined)					
Sales	3.8%	1.5%	8.4%	-0.9%	-15.7%
Adjusted EBITDA	24.2%	19.3%	8.0%	-1.6%	10.5%
EBITDA	37.4%	26.0%	10.2%	-0.8%	13.1%
Adjusted EBIT	46.5%	29.6%	14.2%	-4.8%	-19.2%
EBIT	122.4%	48.6%	8.6%	-2.2%	-14.3%
Result of the period after taxes (share of the Group)	-146.6%	259.5%	46.4%	20.6%	-14.3%

in million EUR

Group Recticel	2015	2016	2017	2018	2019
Consolidated balance sheet					
Non-current assets	383.4	391.3	384.6	392.1	501.9
Current assets	293.2	301.7	345.6	345.0	300.6
TOTAL ASSETS	676.7	693.0	730.2	737.1	802.5
Total Equity	249.0	251.2	261.8	265.0	275.4
Non-current liabilities	111.2	171.5	174.0	131.0	194.8
Current liabilities	316.5	270.2	294.4	341.1	332.3
TOTAL LIABILITIES	676.7	693.0	730.2	737.1	802.5
Net working capital	39.1	50.3	44.8	73.5	59.6
Market capitalisation (December 31st)	300.9	358.4	423.4	352.9	460.4
Non-controlling interests	0.0	0.0	0.0	0.0	0.7
Combined net financial debt	123.0	126.0	122.9	100.2	180.4
ENTERPRISE VALUE	423.9	484.4	546.3	453.1	641.5
Combined Investments versus Combined Depreciation					
Investments in intangible and tangible fixed assets	46.5	53.9	68.3	52.4	55.0
Depreciation (excluding amortisation on goodwill, including impairment)	38.0	39.5	39.0	40.5	56.2
Investments / Sales	3.5%	4.0%	4.7%	3.6%	4.5%
Financial structure ratios					
Net financial debt / Total equity (including non-controlling interests)	49%	50%	47%	38%	66%
Total equity (including non-controlling interests) / Total assets	37%	36%	36%	36%	34%
Leverage (Combined net financial debt/Combined EBITDA)	1.8	1.5	1.3	1.1	1.7
Current ratio	0.9	1.1	1.2	1.0	0.9
Valuation ratios					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	66.2	21.9	17.7	12.2	18.6
Enterprise value / EBITDA	6.3	5.7	5.8	4.9	6.1
Price / Book value (=Market capitalisation/Book value (share of the Group))	1.21	1.43	1.62	1.33	1.68

in million EUR

Group Recticel	2015	2016	2017	2018	2019
Combined sales per business line					
Flexible foams	602.3	607.2	626.1	621.5	549.1
growth rate	*1.6%*	*0.8%*	*3.1%*	*-0.7%*	*-11.7%*
Bedding	294.5	292.9	272.1	243.8	242.3
growth rate	*4.6%*	*-0.5%*	*-7.1%*	*-10.4%*	*-0.6%*
Insulation	229.4	234.1	272.3	271.2	247.2
growth rate	*1.1%*	*2.1%*	*16.3%*	*-0.4%*	*-8.9%*
Automotive	280.3	288.9	350.4	363.9	223.7
growth rate	*6.2%*	*3.1%*	*21.3%*	*3.9%*	*-38.5%*
Eliminations	(78.1)	(75.4)	(60.1)	(52.1)	(41.2)
Total sales	**1 328.4**	**1 347.9**	**1 460.8**	**1 448.3**	**1 220.9**
growth rate	***3.8%***	***1.5%***	***8.4%***	***-0.9%***	***-15.7%***

in million EUR

Combined EBITDA per business line	2015	2016	2017	2018	2019
Flexible foams	34.0	39.6	30.6	33.0	54.1
as % of sales	*5.6%*	*6.5%*	*4.9%*	*5.3%*	*9.9%*
Bedding	9.5	12.1	14.3	2.0	16.0
as % of sales	*3.2%*	*4.1%*	*5.3%*	*0.8%*	*6.6%*
Insulation	33.4	32.9	40.1	44.7	31.4
as % of sales	*14.6%*	*14.0%*	*14.7%*	*16.5%*	*12.7%*
Automotive	9.9	18.3	25.0	30.5	24.8
as % of sales	*3.5%*	*6.3%*	*7.1%*	*8.4%*	*11.1%*
Corporate	(19.1)	(17.4)	(16.0)	(16.8)	(20.8)
Total EBITDA	**67.8**	**85.4**	**94.1**	**93.4**	**105.6**
as % of sales	***5.1%***	***6.3%***	***6.4%***	***6.4%***	***8.6%***

in million EUR

Combined EBIT per business line	2015	2016	2017	2018	2019
Flexible foams	21.1	26.5	17.7	15.6	32.7
as % of sales	*3.5%*	*4.4%*	*2.8%*	*2.5%*	*6.0%*
Bedding	3.2	5.8	9.6	(2.1)	7.0
as % of sales	*1.1%*	*2.0%*	*3.5%*	*-0.8%*	*2.9%*
Insulation	27.5	26.6	33.5	38.1	20.7
as % of sales	*12.0%*	*11.4%*	*12.3%*	*14.1%*	*8.4%*
Automotive	(1.9)	4.0	4.1	12.9	3.0
as % of sales	*-0.7%*	*1.4%*	*1.2%*	*3.5%*	*1.3%*
Corporate	(20.0)	(18.6)	(16.8)	(17.5)	(23.1)
Total EBIT	**29.8**	**44.3**	**48.1**	**47.0**	**40.3**
as % of sales	***2.2%***	***3.3%***	***3.3%***	***3.2%***	***3.3%***

in units

Key figures per share	2015	2016	2017	2018	2019
Number of shares (31 December)	53 731 608	54 062 520	54 776 357	55 227 012	55 397 439
Weighted average number of shares outstanding (before dilution)	44 510 623	53 504 432	54 110 396	54 659 774	54 959 861
Weighted average number of shares outstanding (after dilution)	44 704 483	59 643 102	57 941 701	55 093 295	55 154 501

in EUR

	2015	2016	2017	2018	2019
Combined REBITDA	1.84	1.83	1.95	1.90	2.09
Combined EBITDA	1.52	1.60	1.74	1.71	1.92
Combined Adjusted EBIT	1.01	1.09	1.23	1.16	0.93
Combined EBIT	0.67	0.83	0.89	0.86	0.73
Result of the period (share of the Group) - Basic [1]	0.10	0.31	0.44	0.53	0.45
Result of the period (share of the Group) - Diluted	0.10	0.30	0.43	0.43	0.00
Gross dividend	0.14	0.18	0.22	0.24	0.24
Pay-out ratio	137%	59%	50%	45%	53%
Net book value (Group share)	4.63	4.65	4.78	4.80	4.96
Price / Earnings ratio [2]	66.2	21.9	17.7	12.2	18.6

[1] calculated on the basis of the weigthed average number of shares outstanding (before dilution effect)

[2] based on the share price of 31 December. Earnings = Result of the period (share of the Group) per share

in EUR

Ordinary share	2015	2016	2017	2018	2019
share price on 31 December	5.60	6.63	7.73	6.39	8.31
lowest share price of the year	3.88	4.57	6.43	6.06	6.11
highest share price of the year	5.64	6.63	8.75	10.54	9.40
average daily volume traded (units)	83 737	51 513	70 435	65 089	88 871

Colophon

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Dit verslag is beschikbaar in het Nederlands en het Engels.
Ce rapport est disponible en néerlandais et anglais.
This report is available in English and Dutch.

You can also download this Annual Report on www.recticel.com

In case of textual contradictions between the English and the Dutch version the first shall prevail.

General Coordination: Michel De Smedt

Thanks to all colleagues who contributed to the realisation of this Annual Report.